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Attachment B

DIDF Reform Ruling Combined 2022 IE Reports

SOUTHERN CALIFORNIA EDISON COMPANY

Independent Evaluator Report

2022 SCE Standard Offer Contract RFO

Prepared for California Public Utilities Commission

March 15, 2023

PUBLIC VERSION

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1 INTRODUCTION

1.1 OVERVIEW

On September 15, 2022, Southern California Edison Company ("SCE" or "Company") issued its 2021 Distributed Energy Resources Standard Offer Contract Request for Offers ("2022 SOC RFO" or "SOC RFO") seeking offers from Participants for the purchase of new or otherwise incremental In-Front-of-the-Meter ("IFOM") Distributed Energy Resources ("DERs"), regardless of the form of ownership (e.g., utility-owned, third-party owned, customer-owned, joint ownership), to provide Renewable Energy and/or Energy Storage ("ES"), Capacity, with the exception of resources that utilize natural gas and/or biofuel, for purposes of deferring upgrades to SCE's distribution network, pursuant to California Public Utility Commission ("CPUC") Decision D.21-02-006.

Decision D.18-02-004 requires SCE to undertake incremental procurement of distributed energy resources ("DER") that are cost-effective or have a positive Net Present Value ("NPV"), relative to any traditional distribution upgrade project. Per CPUC issued Decision D.21-02-006 issued on February 12, 2021, SCE was directed to launch the second of a three-year SOC pilot, for at least one Tier 1 deferral project for the purpose of procuring DERs to defer the need for capital expenditures for traditional distribution infrastructure upgrades. Deployed DERs will alleviate infrastructure strain and may allow distribution upgrades to be made later in time.

The goal of the SOC RFO pilot is to (1) decrease transactional costs and risks that currently exist in the Distribution Investment Deferral Framework (DIDF) and (2) increase market participation relative to the DIDF solicitations.

The Decision mandates that only In-Front-of-the-Meter ("IFOM") projects are eligible as either IFOM Energy Storage or IFOM Distributed Generation. The SOC Pilot intends to utilize a simple auction pricing mechanism where the IOUs would publish a price sheet for the respective Tier deferral project that include the cost cap (deferral value) along with the DER services solicited. Participants would then submit offers at or below the cost cap and as long as 90% of the Tier 1 deferral project needs are met, IOUs would be required to move towards contract execution with the respective bidders.

1.2 REGULATORY BACKGROUND

On August 14, 2014, the Commission instituted Rulemaking (R.) 14-08-013 to establish policies, procedures, and rules to guide the California investor-owned

utilities (IOUs) in developing their Distribution Resources Plan (DRP) proposals. This rulemaking also established new polices to evaluate the IOUs' existing and future electric distribution infrastructure and planning procedures with respect to incorporating DERs into the planning and operations of their electric distribution systems.

On February 15, 2018 the Commission issued Decision (D.) 18-02-004 on Track 3 Policy Issues, sub-track 1 (Growth Scenarios) and sub-track 3 (Distribution Investment and Deferral Process). Decision D.18-02-004 adopted an annual DIDF process for SCE to procure incremental distributed energy resources ("DER") that are cost-effective or have a positive Net Present Value ("NPV"), relative to any traditional distribution upgrade project. The decision also directed the IOUs to file a Grid Needs Assessment ("GNA") by June 1 of each year, and a Distribution Deferral Opportunity Report ("DDOR") by September 1 of each year to be vetted by the Distribution Planning Advisory Group ("DPAG"). Subsequently, on May 2019, assigned Administrative Law Judge (ALJ) Mason issued a Ruling (May 2019 Ruling) modifying the DIDF process. One notable modification was the new August submission date for both the GNA and DDOR reports.

On May 11, 2020 and subsequently modified June 12, 2020, the Commission issued an ALJ ruling that expanded the requirements of the GNA and DDOR and made modifications to the role of the DPAG and IPE, hereafter referred to as the May 2020 ruling. The CPUC's May 2020 ALJ Ruling contained updated requirements for the IEs overseeing the IOUs' annual DIDF RFOs, including a requirement for an annual IE Post-RFO Comparison Report which would cover the following topics:1

1. compare the RFO materials of the IOUs that issued RFOs,
2. evaluate compliance with CPUC requirements,
3. compare RFO outcomes,
4. track RFO outcomes over time, and
5. make recommendations for best practices, standardization, RFO improvements, and associated DIDF reforms.

On February 12, 2021, the Commission issued D.21-02-006, adopting the Partnership Pilot, Standard Offer Contract (SOC) Pilot, and modifications to the DIDF RFO. In D.21-02-006, the Commission also updated the May 2020 ruling's Reform 40 to also require utilities to submit an Advice Letter seeking approval to exclude all planned investments from their DIDF RFO and Pilots.

[1] May 11, 2020 ruling, R14-08-013, Attachment C: IE Scope of Work

The SOC Pilot is a three-year pilot, limited to in-front-of-the-meter (IFOM) DERs (i.e., no behind-the-meter (BTM) DERs), that streamlines the existing DIDF RFO procurement process. The CPUC ordered the development of the SOC Pilot to function separately, but in conjunction with the DIDF RFOs with the intent to decrease transactional costs and risks and increase market participation relative to the DIDF RFO solicitations.

On January 27, 2022, the CPUC approved Resolution E-5190, which approved with modifications the evaluation criteria for the Partnership Pilot and Standard Offer Contract Pilot pursuant to Decision D.21-02-006. Ordering Paragraphs 5 and 6 required an Energy Division-led process for establishing evaluation criteria for the SOC Pilot and Partnership Pilot. Per the decision, evaluation of the pilots will occur during annual reviews with midstream evaluations and final evaluations occurring during the annual DIDF reform process. The approved evaluation criteria for the pilots include:

- Success, performance, and off-ramp criteria
- Annual data reporting milestones, including:
    - Independent Evaluator DIDF/SOC RFO Reports[2]

Resolution E-5190 adopted a timeline for the pilot evaluation activities that aligns with the annual DIDF reform process which modified the DIDF schedule previously established in the June 21, 2021 Ruling in R.14-08-013. Therefore, the annual reforms process will now address reforms to the Partnership Pilot and the SOC, in addition to the DIDF process. Resolution E-5190 requires that each IOU's IE will submit the following reports as part of the pilot evaluation process:

- IE DIDF RFO/SOC Contract Report
- IOU and IE Annual Partnership Evaluation Report
- IE Mid-Stream Partnership Pilot Evaluation Report

Attachment B to Resolution E-5190 provided a full outline of the timelines for each activity under the DIDF/SOC processes and the Partnership Pilot. On June 16, 2022 the ALJ Ruling recommended reforms for the DIDF process, the Partnership Pilot, and the SOC Pilot, which included an updated timeline of activities to be completed. After subsequent modifications to the DPAG Schedule for the 2022/2023 DIDF Cycle, Table 1 provides an overview of the DPAG activities timeline, focusing on the solicitation processes and IE requirements:

Table 1: 2022-2023 DIDF/SOC Cycle Schedule

[2] This report is the same as identified in the May 11, 2020, DIDF Ruling under the Independent Evaluator scope of work (R.14-08-013, May 11, 2020, Ruling, Appendix C) but with the addition of the SOC.

Activity	Date
Utilities Submit DIDF Procurement Status Report (every 6 months)	May 15, 2022
Pre-Screening period for Partnership Pilot	July 15, 2022 to August 15, 2022
Utility GNA/DDOR Filings	August 15, 2022
Utilities Launch DIDF RFO and SOC Pilot	September 15, 2022
Advice Letter for approval to launch subscription period for Partnership Pilot	November 15, 2022
Advice Letter for approval to not launch RFOs/SOCs/Partnership Pilot for remaining candidate deferral opportunities in GNA/DDOR filings	November 15, 2022
SCE final and complete 2022 GNA/DDOR filing	January 13, 2023
Utilities launch second round of RFOs or SOCs	January 15, 2023
Utilities launch Partnership Pilot Subscription Periods	January 15, 2023
IOU presentation to Procurement Review Group of RFO/SOC shortlist	January 2023
IOU Annual Partnership Pilot Evaluation Reports	March 15, 2023
IE DIDF RFO/SOC Reports Due	March 15, 2023
IE Annual Partnership Pilot Evaluation Report	March 25, 2023
DIDF and Pilots Reform Ruling	May 2023
IE Post-Procurement Utility Comparison Report Due	August 1, 2023

1.3 SOLICITATION AND PROJECT DETAILS

The traditional distribution infrastructure upgrade project was identified for deferral need in the SOC RFO through the DDOR process for a transformer upgrade at the Alessandro 115/33kV Substation ("Alessandro Project"). Table 2, as provided in Attachment C of the RFO Instructions, gives the high-level details of the Triton project including the deferral value, which is defined as the real economic carrying charge of deferring the revenue requirement associated with the traditional capital investment.

Table 2: Alessandro Project Overview

Project Name	Deferral Value	Need Year	Max. Capacity Need (MW) through 2031	Max. Energy Need (MWh) through 2031
Alessandro Project	$1,068,553	2025	1.3	2.2

Attachment C of the RFO instructions includes additional project need details for the project, including the hourly capacity profile for the project. Through this RFO, the net cost of DER solutions is compared to the deferral values of the traditional upgrade and need to be cost-effective relative to the deferral value in order to be selected. This RFO sought cost-effective offers that met the entire need or met

a portion of the need whereby a portfolio of offers may be selected that would meet the entire project's need.

The following table, Table 2, outlines the deferral projects' deferral year, capacity needs, energy needs, monthly frequency, and annual frequency for each circuit as originally outlined in the RFO Instructions. To successfully defer any project, all specific current needs must be met. Table 3 details the project needs for the Alessandro 115/33kV Substation. As described later in this report, the project needs were updated from the original project needs. The peak hourly needs are further detailed in Attachment C of the RFO Instructions.

Table 3: Alessandro 115/33 kV Substation Project Needs Details[3]

Year	Capacity (MW)	Energy Need (MWh)	Season	Monthly Frequency	Yearly Frequency
2022	0.0	0.0		0	0
2023	0.0	0.0		0	0
2024	0.0	0.0		0	0
2025	0.5	0.5	Summer	5	15
2026	0.4	0.6	Summer	5	15
2027	1.1	2.2	Summer	5	15
2028	1.3	2.2	Summer	5	15
2029	1.1	1.8	Summer	6	15
2030	0.9	1.7	Summer	6	15
2031	0.6	1.1	Summer	5	15

For the Alessandro project, a new 28 MVA transformer is planned to relieve the capacity limit exceedances on the Alessandro 115/33 kV substation. The Crossley 33kV is projected to exceed capacity limits according to the values in Table 1, above.

To successfully defer the Alessandro Project, the specific substation need at Alessandro 115/33 kV must be met. To defer the need for a new transformer upgrade at Alessandro 115/33 kV substation, DERs can interconnect at any combination of circuits that are fed from Alessandro 115/33kV substation or from Gavilan 33/12 kV substation:

- Ironwood 33 kV circuit out of the Alessandro 115/33 kV substation
- Oliver 33 kV circuit out of the Alessandro 115/33 kV substation
- Pfieffer 33 kV circuit out of the Alessandro 115/33 kV substation
- Pawnee 12 kV circuit out of the Gavilan 33/12 kV substation

[3] As described later in this report, the needs were updated for the Alessandro project.

- Seminole 12 kV circuit out of the Gavilan 33/12 kV substation
- Blackfoot 12 kV circuit out of the Gavilan 33/12 kV substation
- Scalp 12 kV circuit out of the Gavilan 33/12 kV substation
- Arapaho 12 kV circuit out of the Gavilan 33/12 kV substation

On September 15, 2022 SCE launched the 2022 Distributed Energy Resources RFO and posted the Solicitation Protocol document and other associated documents on its website. The RFO schedule is outlined in Table 4.

Table 4: RFO Schedule[4]

Event	Date
RFO Launch	September 15, 2022
Bidder's Conference	September 30, 2022
Offer Submittal Deadline	November 30, 2022
CAM Group Offer Selection Consultation	By January 11, 2023
Final Selection Notification	By January 13,2023
Final Contract Execution by Counterparty	By February 3, 2023
CPUC Informational Filing	By February 25, 2023

As noted in the RFO Instructions, SCE reserves the right to add, remove, or revise any RFO event date. The schedule was revised several times throughout the process, which is described later in this report.

In the 2022 SOC RFO Instructions document, SCE listed a number of requirements and preferences to inform prospective Participants of the requirements for competing in the procurement process. A summary of the key provisions of the SOC RFO Instructions is provided in Table 5.

Table 5: Provisions of the 2022 SOC RFO

2022 SOC RFO Requirements or Characteristics	General Project Eligibility
Resource Needs	SCE is soliciting new or otherwise incremental eligible resources to provide Renewable Energy and/or Energy Storage (as applicable for each Product), with the exception of resources that utilize natural gas and/or biofuel, for purposes of deferring upgrades to SCE's distribution network.
Products Solicited	Eligible Products (each a "Product" and collectively "Products") include: • IFOM Renewable Distributed Generation (250 kW minimum) • IFOM Energy Storage (500 kW minimum)

[4] As described later in the report, the RFO schedule was updated with the offer submittal deadline being extended to December 7, 2022 to accommodate potential participants' questions prior to the submission deadline.

	Eligible projects must be new build or otherwise incremental to existing installations and use proven, commercially available technology that is scalable to project size. In this SOC RFO, bidders submitting offers for Energy Storage are responsible for all actions as required to deliver the Charging Energy Requirements of the Project, including costs associated with charging Therefore, bidders of Energy Storage Projects should include the Charging Energy Costs (i.e., electric energy costs associated with providing the Charging Energy Requirements to the Delivery Point) in their pricing. SCE will not directly reimburse sellers for any costs associated with these charging requirements.
Agreement Types	SCE is only seeking third-party owned projects for the deferral project. The objective of this RFO is to execute contract(s) utilizing the approved SOC RFO Pilot Purchase and Sale Agreement ("PSA"). There will be no opportunity for Offerors to negotiate any of the terms and conditions of the PSA prior to execution. If the Participant's offer is selected, the Participant will be offered a contract in the form of the PSA with only those changes necessary to reflect the project specifics.[5]
General Eligibility Requirements	SCE is seeking new or incremental resources to meet the needs of applicable circuits and defer the distribution upgrades. Offers must meet the minimum requirements listed below: ***1) Vintage*** – New build (not existing or repowered) or otherwise incremental to existing installations; ***2) Technology*** – Proven, commercially available technology that is scalable to the project size (not in experimental, research, demonstration, or development stages), as determined in SCE's sole discretion; ***3) Incrementality*** – Incremental offers consistent with the principles adopted by the CPUC in D.16-12-036, including ensuring that customers do not pay twice for the same service; ***4) Project Start Dates*** – • No earlier than December 1, 2024, but no later than June 1, 2025 • Energy Storage resource offers are limited to a maximum contract term of seven (7) years.
Interconnection and Location Eligibility	SCE is launching its 2022 SOC RFO to procure DERs for one location: Alessandro (Moreno Valley, CA). Projects must be located within SCE's service territory, specifically connecting to a load, circuit, or lower voltage substation in SCE's distribution system that electrically connects to any combination of the substations or circuits listed above.
Pricing	Participants are required to provide a complete Offer package and include pricing in their Offer Form.

[5] Participants must incorporate all respective provisions of the PSA and requirements of the RFO process into their pricing.

Number of Offers and Variations Allowed	An Offeror can submit up to ten (10) Offers for each interconnection point and product type. Given that there are two product types, an Offeror can submit up to twenty (20) Offers for this RFO.
Evaluation Process and Evaluation of Offers Received	SCE will employ a Least-Cost, Best-Fit (LCBF) Methodology for the SOC RFO. The LCBF methodology uses a Net Present Value ("NPV") analysis to quantitatively assess the cost-effectiveness of the potential deferral solution while considering the qualitative benefits. The quantitative component of the evaluation includes a Net Present Cost ("NPC") analysis. The methodology is generally consistent with other solicitations that SCE has conducted by does not include a benefits calculation, as value components like energy, ancillary services, and capacity are not being procured. The only quantitative benefit of the RFO is the Deferral Value which will be attributed to any Offer/s that are able to satisfy the Project Need The first part of the quantitative evaluation entails forecasting the costs of each Offer. The costs are discounted using an annual discount rate resulting in a net present value for each Offer. This methodology is consistent with valuations performed by SCE in other solicitations but appears different as there are no benefits attributed to any Offers within the SOC RFO. Value components such as energy/AS and RA attributes are not being procured and therefore will not be included in any Offer's quantitative evaluation. The only quantitative benefit of the RFO is the Deferral Value which will be attributed to a portfolio that is able to satisfy the Project Need. Once all the Offers' net present values are calculated, SCE will assess which Offers can, either as part of a portfolio of Offers or as single Offer, meet 100% of the circuit's project need. **SCE preference is for an Offer that can meet 100% of the Alessandro Project's need**. Each Offer's deferral contribution will be assessed based on the offer type and characteristics submitted within the Offer Workbook. Once feasible deferral portfolios[6] are created, the present value of the portfolio's expected costs is then netted against the Deferral value, less the Administrative costs, to arrive at a Project NPV. A Project NPV that is greater than or equal to zero (0) is deemed to be cost effective. In other words, a cost-effective portfolio is reached if the sum of the present value of the Portfolio Cost and Administrative costs are less than the Deferral Value. In addition to the quantitative NPV analysis, SCE also considers each Offer's non-quantifiable characteristics of each Offer by conducting an analysis of each project's qualitative attributes. Both the quantitative and qualitative components are considered when determining which Offers to select.
Offer Submittal Process	All Offers must be received by November 30, 2022 at 12:00 PM (PPT). All offers for this RFO must be submitted electronically through PowerAdvocate.

[6] Portfolio of one or many Offers which satisfy at least 90% of the deferral need.

Offer Package	All offers must contain all required information and must be organized in accordance with the instructions listed in the RFO Protocol. Information required includes: 1. Offer Workbooks 2. General Proposal Letter 3. Consent for Release of Interconnection Related Information Interconnection Study 4. Fast Track Review Report 5. Signed Generator Interconnection Agreement ("GIA") 6. Developer Experience Attestation 7. A partially executed NDA 8. A completed MUA Services Questionnaire 9. Developer Experience Attestation 10. Project Information
Development Security and Performance Assurance	The PSA requires collateral to be posted for Development Security ("DS") and Performance Assurance ("PA") in accordance with the table in the RFO Instructions. The Development Security is $100/kW for both product types. The Performance Assurance varies by resource type and contract term: • $35/kW for 10-year delivery term • $50/kW for 15-year delivery term • $65/kW for 20-year delivery term

In addition to the RFO requirements listed above, in the RFO Instructions, SCE listed several preferences, but not requirements related to any offer submission:

- Offers meet 100% of the Alessandro Project's need;
- The project is capable of meeting load during the greatest proportion of the deferral time period specified in Attachment C;
- A shorter delivery term;
- Offers ramp up in capacity over time to meet the needs.

The Technology Neutral Pro Forma ("TNPF") utilized in the DIDF solicitations seeks to purchase multiple products including RA, Energy, and Ancillary Services; however, for the SOC RFO SCE altered the Pro Forma to purchase distribution deferral benefits only. While a majority of the provisions in the TNPF Base would remain the same as the DIDF solicitations, in addition to the SOC RFO Purchase and Sale Agreement being non-negotiable, the following modifications were made to the contract:

- TNPF Base
    - The SOC Pilot only includes IFOM projects, the TNPF Base would only reference the two attachments for IFOM Energy Storage and IFOM Distributed Generation
    - The only product being solicited is "Distribution Services", so provisions relating to other products/services, like Resource Adequacy or Ancillary Services, were removed
- IFOM Energy Storage Attachment

- Remove references to RA, tolling, Energy, Ancillary Services, and the delivery of those products.
- SCE will not be the Scheduling Coordinator.
- Removal of RA Only and RA with Put Option structure.
- There is a single Capacity Price and Payment for Distribution Services availability. The seller must follow the deferral dispatch instructions.
- Retain Local Resource Constrained Days ("LRCD") as a structure for dispatch such that SCE provides the dispatch schedule, and the Seller will Self-Schedule with CAISO.
- Prohibition of outages during deferral need months.
- Metering & Telemetry requirements to confirm and settle deferral dispatches.

- IFOM Distributed Generation Attachment
  - Remove references to RA, tolling, Energy, Ancillary Services, and the delivery of those products.
  - SCE will pay based on delivery energy ($/MWh) localized to deferral need times.
  - Include Local Resource Constrained Days ("LRCD") as a structure for dispatch such that SCE provides the dispatch schedule, and the Seller will Self-Schedule with CAISO.
  - Curtailments are Seller's risk and would result in non-payment.

1.4 SCE'S DIDF PROGRAM TRACKING

The first Distribution Investment Deferral Framework (DIDF) solicitations were in 2018 and the most recent solicitations (launched September 15, 2022. The outcomes of SCE's previously held DIDF solicitations are detailed in Table 6.

Table 6: SCE DIDF Solicitation Tracking

Cycle	IDER/RFO/SOC/PP	Deferral Project Location	Circuit Name	Max. Capacity Need (MW)	Max. Energy Need (MWh)	Solicitation Outcome	Status of Contract
2017/2018	IDER	Eisenhower	Eisenhower	2.54	4.62	Selection Made - Project Operational - Deferred	Active
2017/2018	IDER	Eisenhower	Desert Outpost	1.26	5.15	Selection Made - Project Operational - Deferred	Active
2017/2018	IDER	Newbury	Belpac	1.47	4.17	Selection Made - Project	Active

						Operational - Deferred	
2017/2018	IDER	Newbury	Hooligan	2.84	12.22	Selection Made - Contract Terminated	Inactive
2017/2018	IDER	Newbury	Intrepid	1.91	4.36	Selection Made - Contract Terminated	Inactive
2018/2019	RFO	Sun City	Sun City Substation	9.6	37.52	No Projects Selected	-
2018/2019	RFO	Sun City	Equinox Circuit	7.5	61.55	No Projects Selected	-
2018/2019	RFO	Sun City	Bradley Circuit	4.8	29.42	No Projects Selected	-
2018/2019	RFO	Sun City	Lusk Circuit	1.8	7.62	No Projects Selected	-
2018/2019	RFO	Mira Loma	Brewer Circuit	3.1	30.96	No Projects Selected	-
2018/2019	RFO	Mira Loma	Matterhorn Circuit	1.2	5.28	No Projects Selected	-
2019/2020	RFO	Elizabeth Lake #1	Saugus-Elizabeth Lake-MWD Foothill 66kV Subtransmission Line	6.8	18.4	Selection Made - Project In Development	Active
2019/2020	RFO	Elizabeth Lake #2	Saugus-Colossus-Lockheed-Pitchgen 66kV Subtransmission Line	7.8	23.4	Selection Made - Project In Development	Active
2019/2020	RFO	Eisenhower 115/33kV Substation	Crossley 33kV Circuit	2.5	4.3	No Projects Selected	-
2019/2020	RFO	Saugus-Newhall	Newhall 66/16 kV	12.5	39.6	No Projects Selected	-
2019/2020	RFO	Alessandro 115/12kV Substation	Elsworth 12 kV	1.8	9.8	No Projects Selected	-
2019/2020	RFO	Alessandro 115/12kV Substation	Fantastico 12 kV	1.9	6.4	No Projects Selected	-
2019/2020	RFO	Alessandro 115/12kV Substation	Kingsway 12 kV	0.3	0.6	No Projects Selected	-
2019/2020	RFO	Pechanga 115/12kV Substation	Lazaro 12 kV	0.7	0.7	No Projects Selected	-
2019/2020	RFO	Pechanga 115/12kV Substation	Matera 12 kV	0.2	0.5	No Projects Selected	-

2019/2020	RFO	Pechanga 115/12kV Substation	Noche 12 kV	1	2	No Projects Selected	-
2020/2021	RFO	Sun City	Goetz 12kV	3	15.2	No Projects Selected	-
2020/2021	RFO	Sun City	Harnage 12kV	0.4	0.4	No Projects Selected	-
2020/2021	RFO	Sun City	Oakdale 12kV	1.8	6.1	No Projects Selected	-
2020/2021	RFO	Elizabeth Lake	Guitar 16kV	1.3	4.9	No Projects Selected	-
2020/2021	RFO	Elizabeth Lake	Oboe 16kV	2.1	12.3	No Projects Selected	-
2021/2022	PP	El Casco	Jonagold 12kV Circuit	0.4	0.7	In Progress	-
2021/2022	PP	Shawnee Transformer Upgrade	-	6.9	31.5	In Progress	-
2021/2022	PP	Santa Clara - Colonia Substation	-	22.3	172.6	In Progress	-
2021/2022	SOC	Eisenhower 115/33kV Substation	Crossley 33kV Circuit	2.9	8.5	No Projects Selected	-
2021/2022	RFO	-	-	-	-	No Solicitation	-

1.5 ISSUES ADDRESSED IN THIS REPORT

This report addresses Merrimack Energy's assessment and conclusions regarding the following issues identified in the CPUC's IE Report Template:

1. Describe the role of the IE throughout the solicitation process;

2. How did the IOU conduct outreach to bidders? Was the solicitation robust?

3. Evaluate the administration of the solicitation process including the fairness of the investor-owned utility's ("IOU's") bid evaluation and selection process (i.e. quantitative and qualitative methodology used to evaluate and select offers, and consistency of evaluation and selection methods with criteria specified in bid documents, etc.);

4. Describe SCE's Least Cost Best Fit ("LCBF") methodology for evaluating offers. Was the LCBF process fairly administered? Evaluate the strengths and weaknesses of the IOU's methodology;

5. Describe the applicable project specific negotiations. Highlight any areas of concern including unique terms and conditions;

6. If applicable, describe safeguards, code of conduct and methodologies employed by the IOU to compare affiliate bids or utility-owned generation ownership offers. If a utility selected an offer from an affiliate or an offer that would result in utility asset ownership, explain whether the IOU's selection of such offer was appropriate;

7. Do the contract(s) merit CPUC approval? Is the contract reasonably priced and does it reflect a functioning market?

8. Based on the complete bid process, was the RFO acceptable?

2 DESCRIPTION OF THE ROLE OF THE IE

2.1 REGULATORY REQUIREMENTS FOR THE IE

The requirements for participation by an IE in utility solicitations are outlined in CPUC Decisions ("D").04-12-048 (Findings of Fact 94-95, Ordering Paragraph 28), D.06-05-039 (Finding of Fact 20, Conclusion of Law 3, Ordering Paragraph 8) of the CPUC, D.09-06-050 and D.10-07-042.

The role of IEs in California IOU procurement processes has evolved over the past seventeen to eighteen years. In D.04-12-048 (December 16, 2004), the CPUC required the use of an IE by investor-owned utilities (IOUs) in resource solicitations where there is an affiliated bidder or bidders, or where the utility proposed to build a project or where a bidder proposed to sell a project or build a project under a turnkey contract that would ultimately be owned by a utility. The CPUC generally endorsed the guidelines issued by the Federal Energy Regulatory Commission ("FERC") for independent evaluation where an affiliate of the purchaser is a bidder in a competitive solicitation, but stated that the role of the IE would not be to make binding decisions on behalf of the utilities or administer the entire process[7]. Instead, the IE would be consulted by the IOU, along with the Procurement Review Group ("PRG") on the design, administration, and evaluation aspects of the Request for Proposals ("RFP"). The Decision identifies the technical expertise and experience of the IE with regard to industry contracts, quantitative evaluation methodologies, power market derivatives, and other aspects of power project development. From a process standpoint, the IOU could contract directly with the IE, in consultation with its PRG, but the IE would coordinate with the Energy Division.

In D.06-05-039 (May 25, 2006), the CPUC required each IOU to employ an IE regarding all RFPs issued pursuant to the RPS, regardless of whether there are any utility-owned or affiliate-owned projects under consideration. This was extended to any long-term contract for new generation in D.06-07-029 (July 21, 2006). In addition, the CPUC directed the IE for each RFP to provide separate reports (a preliminary report with the shortlist and final reports with IOU advice letters to approve contracts) on the entire bid, solicitation, evaluation and selection process, with the reports submitted to the utility, PRG, and CPUC and made available to the public (subject to confidential treatment of protected information). The IE would also make periodic presentations regarding its findings to the utility and the utility's PRG consistent with preserving the independence of

[7] Decision 04-12-048 at 129-37. The FERC guidelines are set forth in Ameren Energy Generating Company, 108 FERC ¶ 61,081 (June 29, 2004).

the IE by ensuring free and unfettered communication between the IE and the CPUC's Energy Division, and an open, fair, and transparent process that the PRG could confirm.

In 2007, the use of an IE was required for any competitive solicitation seeking products for a term of more than three months in D.07-12-052 (December 21, 2007). Also, the process for retaining IEs was modified substantially, with IOUs developing a pool of qualified IEs, subject to feedback and any recommendations from the IOU's PRG and the Energy Division, an internal review process for IE candidates, and final approval of IEs by the Energy Division.

In 2008, in D.08-11-008, the CPUC changed the minimum term requirement from three months to two years and reiterated that an IE must be utilized whenever an affiliate or utility bidder participates in the RFO, regardless of contract duration.

In D.09-06-050 issued on June 18, 2009 in Rulemaking 08-08-009, Order Instituting Rulemaking to Continue Implementation and Administration of California Renewable Portfolio Standard Program, the CPUC required that bilateral contracts should be reviewed according to the same processes and standards as contracts that come through a solicitation. This includes review by the utility's PRG and its IE, including a report filed by the IE.

In D.10-07-042 issued on July 29, 2010, the Commission reaffirmed the role of the IE and required the Energy Division to revise the IE Template to ensure that the IEs focus on their core responsibility of evaluating whether an IOU conducted a well-designed, fair, and transparent RFO for the purpose of obtaining the lowest market prices for ratepayers, taking into account many factors (e.g. project viability, transmission access, etc.).

This IE report is submitted in conformance with the above requirements.

2.2 DESCRIPTION OF KEY IE ROLES

In compliance with the above requirements, SCE selected Merrimack Energy to serve as IE for the 2022 Standard Offer Contract Pilot RFO in August 2022. SCE initially contacted Merrimack Energy in March 2021, shortly after Decision D.21-02-006 was issued to serve as IE for the three-year SOC Pilot. After there were no projects selected for the 2021 SOC Pilot solicitation, SCE re-initiated the process and engaged Merrimack in the solicitation planning process for the 2022 SOC Pilot RFO in August 2022.

The overall objective of the role of the IE is to ensure that the solicitation process is undertaken in a fair, consistent, unbiased, and objective manner and that the best resources are selected and acquired for the benefit of customers consistent with the solicitation requirements. This role generally involves a detailed review and assessment of the evaluation process and the results of the quantitative and qualitative analysis.

In addition to the requirements identified in CPUC Orders, the Scope of Work included in the Contract Work Authorization ("CWA") between Merrimack Energy and SCE clearly identifies the tasks to be performed by the IE. These include the following tasks:

- Advise on the consistency of solicitation activities with the CPUC's procurement-related rules and procedures and SCE's Commission-approved procurement authority;
- Assist in the development, design, and review of the Solicitation. Promptly submit any recommendations to SCE and/or CPUC, consistent with the objective of ensuring a competitive, open and transparent process, and to ensure that the overall scope of the solicitation process is not unnecessarily broad or too narrow;
- Monitor all communications and/or negotiations between SCE and counterparties, as required by the solicitation's objectives as outlined in the solicitation Protocol and approved by the CPUC;
- Provide recommendations and reports, if required by SCE and/or the CPUC, concerning the definition of products sought and price and non-price evaluation criteria; so that all aspects of the products are clearly understood, and all bidders may effectively respond to the solicitation, as applicable;
- Review the comprehensive quantitative and qualitative bid evaluation criteria and methodologies applied to any 2022 SOC Solicitation and assess whether these are applied to all bids in a fair and non-discriminatory manner. The Consultant will be provided access to SCE's personnel, modeling tools, and meeting documentation in order to credibly evaluate the bid evaluation and selection processes;
- Report on the outcome of a solicitation using the appropriate CPUC-approved Independent Evaluator Report Template, which may be amended from time to time, for inclusion in any Advice Letter, Application, and/or Quarterly Compliance Report filings;
- Monitor the solicitation, bilateral negotiation and/or contract amendment processes and promptly submit recommendations to SCE's management to ensure that no bidder has an information advantage and that all bidders or counterparties, if applicable, receive access to relevant communications in a non-discriminatory manner. This task may include

monitoring contract negotiations and/or keeping appraised of negotiation status and major issues;
- Provide presentations to SCE's management, the Procurement Review Group (PRG), and the CPUC Energy Division (ED), if requested, regarding the Consultant's findings or status. Communicate periodically with the Energy Division ("ED") as a check on the solicitation process;
- Provide a written assessment as to whether the solicitation process was open, transparent and fair, and whether any bidder received material information that gave them a competitive advantage or disadvantage relative to other bidders;
- Provide a final written assessment as to whether or not SCE's evaluation criteria and methodologies were reasonable and appropriate and were applied in a fair and non-discriminatory manner for all offers received;
- Prepare or assist in the preparation of direct and/or rebuttal testimony, and participate as a witness or in an advisory capacity during administrative hearings, as required, before the CPUC and/or FERC in any associated proceedings;
- Perform other duties as may be further defined in subsequent relevant regulatory proceedings or required by SCE's senior management.

the ALJ Ruling Modifying the Distribution Investment Deferral Framework Process issued on May 11, 2020, and modified June 12, 2020, detailed specific tasks to be included in the IE Scope of Work. Attachment C of the ruling described the IE Scope of Work. However, Decision D.21-02-006 did not identify any changes or additional requirements for the Independent Evaluator. Specifically, the Decision did not describe whether retaining an Independent Evaluator for the Standard Offer Contract Pilot would be required. Despite somewhat unclear guidance in this regard, SCE engaged with Merrimack shortly after the Decision's issuance prior to the TNPF drafting process. SCE sought guidance from the ED on requirements for the IE in the SOC Pilot and after receiving feedback, SCE re-engaged Merrimack in early August when the Pilot design process was being initiated.

2.3 DESCRIPTION OF IE OVERSIGHT ACTIVITIES

As noted, Merrimack Energy was retained as the IE by SCE in August 2022. In performing its oversight and evaluation role, the IE participated in and undertook a number of activities in connection with the solicitation process including reviewing the protocol documents, participating in evaluation methodology design, monitoring communications between SCE and the Participants, organizing and summarizing the offers received, participating in meetings with the

PRG, reviewing the evaluation results, participating in selection discussions, and development of the IE report.

This report provides an assessment and review of SCE's 2022 Distributed Energy Resources Standard Offer Contract RFO procurement process from development of the RFO through close of the RFO. The role of the IE is also discussed as it pertains to specific activities in Section 5 of this report.

3 DESCRIPTION OF OUTREACH ACITVITIES AND ROBUSTNESS OF SOLICITATION

3.1 DESCRIPTION OF IOU OUTREACH TO POTENTIAL BIDDERS

Outreach activities are important to the success of a competitive solicitation process. SCE's outreach efforts targeted a large number of potential Participants based on SCE's contact lists of energy companies and individuals. These efforts likely played a role in the reasonably robust response to the RFO in terms of number of Participants and specific offers or projects.

SCE maintains a detailed list of potential Participants with nearly 2,800 contacts that serves as the database for Seller contact and outreach. SCE sent emails to all potential Participants on this list informing them of the 2022 SOC process and the issuance of the RFO. The list includes Diverse Suppliers. SCE notified contacts on the mailing list of the issuance of the 2022 SOC and also provided several email notifications and updates to the email list during the solicitation process. With the RFO launch date on September 15, 2022 and offers being due on November 30, 2022. Participants had ample time to prepare offers.

SCE initiated a comprehensive process for communicating with bidders for the 2022 SOC process. SCE utilized the PowerAdvocate Platform as the means for Participants to submit their offers. In addition, SCE also established a section on its public website for distribution of information to prospective Participants and other interested parties early on to notify Participants of the RFO. The public website also included contact information for SCE should prospective Participants wish to ask any questions or request follow-up information.

The SCE public website for the 2022 SOC RFO contained general information to bidders to help bidders determine if they wanted to participate as a bidder in the process.[8] The following documents and information were included on the public website for Participant review and utilization:

- PowerAdvocate Supplier's Guide
- 2022 DIDF SOC Webinar Recording
- Contact Information for SCE

In PowerAdvocate, SCE attached the following documents for registered bidders to download:

[8] Participants would need to register with PowerAdvocate using the links included on the public website to gain access to the data room and applicable RFO documents and back-up information which would allow a participant to submit a bid into this solicitation.

- 2022 SOC RFO Instructions
- Developer Experience Attestation
- MUA Services Questionnaire
- Seller Proposal Letter Guidelines
- Voluntary Consent Interconnect
- 2022 DIDF & SOC RFO Bidder's Conference Deck
- Bidder's Conference Recording
- Non-Disclosure Agreement
- 2022 DER SOC RFO Offer Workbook
- SOC TNPF Base
    - IFOM Distributed Generation Attachment
    - IFOM Storage Attachment

SCE answered eight questions from bidder that were submitted via PowerAdvocate. The IE found the website easy to access and navigate. All documents associated with the 2022 SOC were uploaded to PowerAdvocate and were easy to identify, access, and download.

3.2 PRINCIPLES USED TO DETERMINE ADEQUATE ROBUSTNESS OF A SOLICITATION

With regard to assessing whether the response to the solicitation was adequately robust, there are several criteria to consider:

- Was the response to the solicitation commensurate with the level of outreach?

- Did the solicitation encourage a diverse response from Participants in terms of products requested, project structure, pricing options, etc.?

- Was the response large with respect to the number of proposals and megawatts ("MW") offered relative to the amount requested?

- Was the process a competitive process based on the amount of MW submitted by Bidders relative to the number of MW requested?

- Were the Solicitation Documents clear and concise such that Participants could clearly assess how to structure a competitive offer?

3.3 WAS THE OUTREACH ADEQUATE?

There are several criteria generally applied for assessing the performance of the utility in its outreach and marketing activities:

- Did the utility contact a large number of prospective Participants?
- Were the utility's outreach efforts active or passive?
- Did the utility adequately market the solicitation?
- Could prospective bidders easily access information about the RFP?
- Did any prospective bidders complain about the process or access to information?

As noted above, SCE contacted a large number of prospective Participants to inform them of the issuance of the RFO. The outreach activities of SCE can be classified as "active" given that emails about the solicitation process were directly sent to prospective Participants. In addition, SCE held a Bidder's Conference to provide information on the solicitation process, and to allow the Participants to ask questions and seek information about the solicitation process. The IE feels that all potential Participants were able to easily access solicitation materials and communicate directly with the SCE Origination team to answer any questions.

3.4 WAS THE SOLICITATION ROBUST?

The overall result of this outreach activity was a very limited response to the RFO from the market. Despite the solicitation schedule allowing ample time to develop offers from the launch date to the offer submission deadline, the solicitation was not a competitive one.

SCE received a total of two (2) offers from one counterparty. Based on the number of offers submitted, the IE found the response from the market to be minimal and not competitive as a result. However, as described later in this report, the offers submitted were initially viable due to the maturity of the technology, overall effectiveness and ability to satisfy needs of the project.

3.5 WAS THE OUTREACH SUFFICIENT AND MATERIALS CLEAR SUCH THAT BIDS MET THE NEEDS OF THE SOLICITATION

SCE prepared initial versions of the Protocol Document and Offer Forms and issued the documents in an expedited manner to solicit interest from bidders. The IE reviewed the documents to ensure the documents were clear and concise.

The IE also found that SCE's project team was generally responsive to the needs of and comments provided by prospective Participants and also responded to questions in a reasonable timeframe.

The single Participant provided complete proposals with a minimal amount of clarifying questions or information requirements after submission. As described later in this report, shortly after the original bid submission, the project needs increased, so the bidder was given the opportunity to resubmit their proposal.

4 DESCRIPTION OF BID EVALUATION AND SELECTION METHODOLOGY

4.1 IDENTIFICATION OF PRINCIPLES FOR EVALUATING BID EVALUATION METHODOLOGY

This section of the report addresses the principles and framework underlying the IE's review of SCE's evaluation and selection methodology for the 2022 SOC solicitation process. One of the important questions in this regard is whether the bid evaluation and selection methodology was fair and appropriate for this type of solicitation. Key areas of inquiry by the IE and the underlying principles used by the IE to evaluate the methodology include the following:

- Were the procurement needs, products solicited, principles and objectives clearly defined in SCE's 2022 SOC Solicitation Protocol and other materials?
- Is the IOU bid evaluation based on those criteria specified in the bid documents? In cases where bid evaluation goes beyond the criteria specified in the bid documents, the IE should note the criteria and comment on the evaluation process.
- Do the IOU bid documents clearly define the type and characteristics of products desired and what information the bidder should provide to ensure that the utility can conduct its evaluation?
- Does the methodology identify how qualitative and quantitative measures were considered and were consistent with an overall metric?
- Are there differences in the evaluation method for different technologies that cannot be explained in a technology-neutral manner?
- Was the bid evaluation and selection process and criteria reasonably transparent such that Participants would have a reasonable indication as to how they would be evaluated and selected?
- Was the bid evaluation methodology consistent with CPUC direction?
- Was SCE's bid evaluation based on and consistent with the information requested in the RFO to be submitted by Participants in their proposal documents?

- Were the bid evaluation criteria consistently applied to all offers?

- Does the quantitative evaluation methodology allow for consistent evaluation of bids of different sizes and in-service dates? Are there differences in the evaluation method for different technologies that cannot be explained in a technology-neutral manner?

- Did the bid evaluation criteria and evaluation process contain any undue or unreasonable bias that might influence project ranking and selection results or in any way favor affiliate bids?

- Was the 2022 SOC RFO clear and concise to ensure that the information required by SCE to conduct its evaluation was provided by project sponsors?

- Did the IOU bid evaluation criteria change after the bids were received? Explain the rationale for the changes.

In the view of the IE, the 2022 SOC RFO Instructions and related solicitation documents provide an ample amount of information on which Participants could develop their bid packages. The documents contain detailed information on the products sought, the information required of Participants for offer submission, contract provisions, proposal documents and offer forms, and information about each of the distribution deferral projects at which SCE sought offers.

SCE held a Bidder's Conference on September 30, 2022 to further describe the solicitation process, including the evaluation methodology. Overall, the IE concludes that the products solicited, procurement needs, protocol information and documents required to be provided with the offer were clearly defined and applied. SCE also involved the IE in internal discussions on the development of the evaluation methodology based on the CPUC's Decision. The IE commented on evaluation protocol documents for quantitative and qualitative factors prior to receipt of Offers. In particular, SCE's quantitative evaluation team prepared PowerPoint presentations and held three meetings with the IE prior to receipt of offers to lock-down the evaluation methodology, input assumptions, and evaluation criteria.

To address the other issues identified, the IE will first present a detailed description of the bid evaluation methodology and process implemented by SCE to undertake the evaluation. This includes both the quantitative and qualitative criteria used in the evaluation. Subsequently, the IE then discusses the strengths and weaknesses of the methodology relative to the issues identified above.

4.2 OVERVIEW OF SCE'S LEAST COST BEST FIT EVALUATION METHODOLOGY

This section of the report provides an overall description of SCE's bid evaluation methodology, procedures, and criteria applicable to the 2022 SOC process. The methodology selected is designed to generally conform to the Least Cost Best Fit ("LCBF") procedures applied in other solicitations. For this report, the IE is providing a general summary of the overall methodology and criteria used in the evaluation in this section of the report.

In the evaluation process, SCE initially conducts a screening of offers relative to eligibility requirements of the RFO and determines any missing information or clarification questions for Participants. SCE will screen offers on a "pass-fail" basis against the eligibility criteria and requirements as described in the RFO Instructions. SCE then conducts a feasibility screening for offers based on the capacity and energy submitted for each project and circuit to determine if the project needs could be met by the existing offers. The purpose of the feasibility screening is to determine if any single offer or a portfolio of combined offers could meet the project deferral needs.

4.2.1 Qualitative Factors

The solicitation protocol for the 2022 SOC RFO bid evaluation procedure and methodology states that SCE will evaluate each offer using both quantitative and qualitative criteria, which includes but is not limited to: Net Market Value and Project Viability. The evaluation procedure protocol describes how to combine the criteria to determine the ranking and the shortlist.

The following describes the general evaluation process flow envisioned by SCE for undertaking the evaluation process once the Evaluation Team commenced formal reviews[9]:

- All offers will be reviewed to determine whether or not they meet the applicable eligibility requirements for consideration in the RFO. SCE will screen Offers on a "pass-fail" basis against those criteria and requirements;

[9] SCE's Evaluation Teams reviewed the offers when received to ensure the Participant provided the requested information and to identify any inconsistencies in the offer forms and other offer information. In addition, the Evaluation Team also identified any situation where the data submitted appeared inconsistent or where further clarification of the information was required. SCE would contact the Participant to seek to clarify or correct the data prior to conducting the offer evaluation process.

- SCE will perform an initial review of offers for completeness and conformity. The initial screen review includes criteria such as conforming location, minimum project size, and the submittal package requirements. SCE will conduct a complete and conforming process to allow for bidders to clarify and cure any offer details or deficiencies. SCE will work directly with the Offerors to resolve these issues and ensure the offers are ready for evaluation;

- Offers will be reviewed by the Solicitation Team for an assessment of Project Viability. The review may consist of, but will not be limited to the following factors:
    - Counterparty Experience and O&M experience
    - Commercially proven technology
    - Project viability
    - Interconnection viability
    - Voltage and other power quality services
    - Permitting and interconnection
    - Pre-Development and Development Milestones
    - Modifications to PSA
    - Contributions towards other SCE procurement targets
    - Congestion, negative price, and curtailment considerations not captured in the quantitative valuation
    - Portfolio fit of energy, capacity, deliverability, and contract term
    - Offeror concentration
    - DER deferral solution viability
    - Technology concentration
    - Dispatchability, including ability to be curtailed
    - Others

After the Complete & Conforming process is completed, a Net Present Cost assessment will be performed on all conforming and eligible offers. Valuations will be updated when new information is received from Participants. Once SCE performs the quantitative NPC analysis, SCE will consider each Offer's nonquantifiable characteristics by considering the qualitative project viability attributes. Both the quantitative and qualitative components are considered when determining which Offers to select.

4.2.2 Quantitative Factors

From a quantitative perspective, Net Present Value will be measured in present value $/MWh and ranked from highest to lowest. The NPV results will then be

compared to the deferral value of the traditional upgrade to determine if any offers are of higher value than the traditional deferral upgrade.

The following describes the general evaluation process flow envisioned by SCE for undertaking the evaluation process once the Evaluation Team commenced formal reviews:

- All offers will be reviewed to determine whether or not they meet the applicable eligibility requirements for consideration in the RFO. SCE will screen Offers on a "pass-fail" basis against those criteria and requirements;

- SCE will perform an initial review of offers for completeness and conformity. The initial screen review includes criteria such as conforming location, minimum project size, and the submittal package requirements. SCE will conduct a complete and conforming process to allow for bidders to clarify and cure any offer details or deficiencies. SCE will work directly with the Offerors to resolve these issues and ensure the offers are ready for evaluation;

After the Complete & Conforming process is completed, a Net Present Value assessment will be performed on all conforming and eligible offers for which locations that the entire deferral needs have been met (through either a single offer or portfolio of offers). Valuations will be updated when new information is received from Participants.

Once the evaluation is completed to produce a rank order for each prescreened deferral project, SCE will use the Selection tool to create a shortlist by taking into consideration:

- Substation/Circuit Need
- Deferral viability
- Counterparty diversity
- Technology potential
- NPV & Cost
- Deferral solution buffer
- Negotiation/Project failure procurement buffer

After selection, the following additional criteria will be considered before executing an agreement:

- Net Present Value (to account for changes in value which might occur during negotiations)
- Project Viability
- Credit

- Contract Modifications
- Safety
- Contract term and Commercial Operation Date

4.3 DETAILED DESCRIPTION OF THE EVALUATION PROCESS

The following section of the report provides a more in-depth discussion of the components of the quantitative evaluation methodology and process used by SCE and describes in general how the various offers were evaluated. In addition, this section includes a description of the input assumptions utilized for evaluation purposes.

4.3.1 Valuation Net Present Cost Overview

SCE's evaluation protocol specifies how the Valuation criterion will be applied to the individual offers received in the 2022 SOC RFO.

In the solicitation process, a Participant submits an offer detailing the costs and operational characteristics of the energy generation facility. Given the expected commercial operation dates for each deferral project, SCE expected that all offers will be under construction or complete, and that no incremental transmission costs will be incurred. If any offer does require incremental transmission costs borne by SCE customers, those costs will be included in the valuation, in an analogous fashion to other solicitations.

The NPC of each offer will be calculated as the present value of the Distributed Energy Resource costs. The offer costs are calculated directly within the Offer Form, so bidders have immediate insight into their cost competitiveness relative to the deferral project. The costs include the contract payments based on the offer's capacity and/or energy price and debt equivalence as SCE's cost of contract commitments on their balance sheet. SCE will create a portfolio of one or more offers that can solve the deferral project needs for capacity and energy. SCE will determine the most cost-effective portfolio that meets the project's needs and will sum the offers' NPCs plus the pre-determined administration costs. If the portfolio of offers have a total cost (NPC plus administrative costs) less than or equal to the deferral value, the portfolio could be selected.

In order to determine whether an offer or a portfolio of offers would meet the deferral project's needs, SCE will calculate a "Contribution Percentage" for each offer. The Contribution Percentage is calculated annually and will be the minimum deferral contribution in all hours of all months (if an offer is not online by June 1 of each year, it will contribute 0%). The energy delivery from each project

can be subject to several different limiting factors, including the project capacity, interconnection limits, or the distributed generation solar profile. The Contribution Percentages are calculated within the Offer Workbook and are visible for the bidders to see when including the details of their offer.

SCE would conduct the selection process in the following steps:

- 100% Optimization - Perform a cost minimization optimization such that the DER contribution meets or exceeds the project need for all years utilizing the unit characteristics submitted or contribution percentages calculated in offer workbooks while being cost effective.
- 90% Optimization - If a 100% solution is not achievable, perform a cost minimization optimization that meets or exceeds 90% of project needs for all years.
- Qualitative Assessment - Determine if any offers pose challenges that could be remedied with other offers or if selected offer pose risks to deferral viability.
- Re-Run Optimization – If at least 90% of project need is not cost effectively met in steps 1-3, re-run selection for one less year (e.g. 2024-2029 after 2024-2030).

Each component will be calculated in discounted dollars. The final NPC will then be expressed in terms of dollars to be compared to the Deferral Value of the traditional mitigation costs. The present values are calculated by discounting the nominal amounts [redacted]

4.3.2 Valuation Summary By Resource Type

SCE prepared its evaluation methodologies to be consistent with the products and contract types requested. There are two resource types which bidders may offer:

- IFOM Energy Storage
- IFOM Distributed Generation

Both resources are intended to follow the same valuation process.

4.3.3 Valuation Components

Portfolio – Deferral Value

- The capital expenditure estimates of the traditional distribution upgrades are converted into deferral value using a real economic carrying charge method. This methodology is consistent with the approach used for

converting capital investments into annual costs for Generic Rate Case. The Deferral Value is calculated for a period of one year to the maximum number of distribution planning years. If the power and energy needs are fully met for a deferral project, the deferral value will be attributed to a portfolio of offers.

Portfolio – Administrative Costs

- The costs associated administering the SOC RFO. These costs are estimated and applied to each offer or a portfolio of offers.

Offer – Cost Components

- **Energy Costs –** For renewable resources, energy costs include the variable costs for the delivery of energy during the deferral needs.
- **Capacity Payments -** Capacity payments represent the total fixed contract payments SCE is expected to make under the contract for delivery of resource benefits.
- **Debt Equivalence:** Debt equivalence is the term used by credit rating agencies to describe the fixed financial obligation resulting from long-term purchased power contracts. Pursuant to D.04-12-048, the Commission allows Investor-Owned Utilities ("IOUs") to recognize costs associated with the effect debt equivalence has on the utilities' credit quality and cost of borrowing in their valuation process. D.08-11-008 was issued in November 2008 and, authorized the IOUs to continue recognizing the balance sheet impact of debt equivalence when valuing power purchase agreements. Given the confirmation of the use of debt equivalence for valuation purposes, SCE considers debt equivalence in its valuation process.

The DER SOC solicitation will only be procuring deferral benefits. The SOC will not procure RA or Energy attributes and will not have benefits attributed to individual offers. Offer costs will be estimated utilizing the Offeror's unit characteristics and price inputs. Valuation assumptions are subject to change based on, but not limited to, updated information relating to any regulatory and market design decisions and/or proceedings. See Table 7 below for a summary of quantitative Valuation Components considered:

Table 7: Evaluation Components

	Component	IFOM – Energy Storage	IFOM – Distributed Generation
Offer	Energy Cost	No	Yes
	Capacity Cost	Yes	No
	Debt Equivalence	Yes	Yes
Portfolio	Cost: Administrative Cost		

	Benefit: Deferral Value

4.3.4 Input Assumptions

An important aspect of the offer evaluation process is the development of input assumptions to use in the evaluation of the Participant's pricing formulas and other evaluation parameters. Since SCE is only procuring the distribution services from the project and not Resource Adequacy, Energy, or Ancillary Services, the forecasted price curves for those attributes are not needed. Instead, the SOC RFO simply compares the project NPC to the deferral value of the traditional upgrade, inclusive of estimated administrative costs.

4.3.5 Qualitative Factors

In addition to the quantitative factors previously discussed, PG&E proposed to evaluate qualitative attributes in addition to the quantitative assessment when considering selections. The qualitative attributes being considered, as listed in the SOC RFO Instructions:

- Project Viability – project viability assessment includes developer experience, O&M experience, commercially-proven technology, reasonableness of delivery date, and interconnection progress.
- Ability to meet project need
    - Interconnection viability
        - Voltage & other power quality services
    - Permitting and interconnection
    - Pre-development milestones
    - Project financing status
    - Project development experience
- Development milestones
    - Site control
    - Large equipment status
    - Reasonableness of commercial operation date
- Proposed modifications to PSA
- Portfolio fit of energy, capacity, deliverability, and contract term
- Offeror concentration
- Technology concentration
- Dispatchability and curtailability

4.4 REVISIONS TO BID EVALUATION CRITERIA

The CPUC IE Report Template requests the IE to address whether the bid evaluation criteria changed after the bids were received and to explain the

rationale for the changes. In general, SCE maintained a similar methodology as described in the 2022 DIDF RFO Instructions; however, since SCE is only procuring the deferral benefits, the components included in the evaluation were significantly reduced.[10] Therefore, the evaluation process was much more simplified compared to the DIDF solicitations. In addition, SCE updated its Offer Form to include the calculations that compare the offer's cost components to the deferral project's cost cap. The IE found that SCE maintained a consistent evaluation methodology based on the details described in the RFO Instructions and discussed during Evaluation meetings.

While the evaluation methodology did not change, as described later in this report, the project's deferral needs were increased, which lead to the quantitative evaluation results being altered.

4.5 EVALUATION OF STRENGTHS AND WEAKNESSES OF SCE'S METHODOLOGY

SCE has implemented a methodology for evaluating the eligible offers received in response to the 2022 SOC RFO that includes a combination of existing methodologies used in previous solicitations as well as revisions to traditional methodologies to address the requirements of this solicitation.

4.5.1 Strengths Of Evaluation and Ranking Methodology

The following represents the IE's perspective regarding the strengths associated with the evaluation and ranking methodology implemented by SCE for the 2022 SOC RFO which is seeking to defer the traditional distribution upgrades. These include:

- The methodology used by SCE takes into consideration all reasonable costs associated with the two types of resources. The IE does not view the methodology as having a direct bias toward any product solicited in this RFO with respect to contract structure;

- SCE included a lengthy Complete and Conforming process in the RFO process that allowed the SCE evaluation team to fully review and assess the offer submitted and to ask relevant questions so that the offer could be appropriately evaluated As described later in the report, the RFO

[10] On the Benefits side, SCE did not include benefits for energy and ancillary services and resource adequacy capacity. On the costs side, SCE removed transmission & network upgrade costs, renewable integration costs, demand charge rates, charging constraints, and multi-use application considerations.

scheduled was extended twice to accommodate for the Complete & Conforming considerations.;

- SCE's proposed methodology is generally consistent with Least Cost Best Fit principles by incorporating quantitative and qualitative factors to determine a shortlist of projects;

- SCE developed a straight-forward Offer Form that was very transparent and included detailed calculations so that Participants could compare the project costs to the deferral costs;

- SCE included stated preferences in the RFO Instructions, which provides important direction to participants on how to best structure their offers;

- All of the key inputs and assumptions were locked down prior to receipt of offers, which serves to minimize any potential evaluation bias.

4.5.2 Weaknesses Of Evaluation and Ranking Methodology

One of the intentions of designing the SOC Pilot was to simplify the entire process, including the evaluation approach, where bidders submit a simple, fixed price that can be compared to the cost cap. Based on the simplicity of the evaluation methodology, Merrimack Energy did not identify any significant weaknesses in the evaluation methodology. The only recommendation for improvements to the evaluation process is that SCE may consider undertaking and documenting a formal qualitative assessment during the evaluation process. The qualitative attributes to be considered are outlined in the RFO Instructions; however, it's not clear that SCE actually performed a qualitative assessment of the offers submitted.

5 ADMINISTRATION OF THE SOC RFO SOLICITATION PROCESS

In performing its oversight role, the IE participated in and undertook a number of activities in connection with the 2022 SOC including reviewing the RFO documents, participating in frequent conference calls with the SCE project teams, participating in the Bidder's Conference, participating in discussions on the offer evaluation methodology and selection process, organizing and summarizing the offers received, reviewing and commenting on the evaluation and selection process, and participating in calls with bidders throughout the process.

A list of the key milestone events which occurred during the solicitation process as well as the activities of the IE during the procurement process consistent with the important activities and milestones for the process are described below.

5.1 LAUNCH OF 2022 SOC RFO

SCE launched its 2022 SOC on September 15, 2022. SCE announced issuance of the RFO via an email blast to its contact list. The email distributed identified the web address for SCE's website[11] for the RFO and also provided information on the basis for and requirements of the RFO, schedule for the upcoming Bidder's Conference on September 30, 2022, and deadline for Participants to submit offers on November 30, 2022.

The Solicitation Instructions provided an overview of the RFO including the solicitation goals, project types/agreements, eligibility requirements, and submission requirements. The RFO documents also contained the Offer Workbook that needed to be submitted with each proposal.

SCE used two websites for the RFO. SCE maintained a webpage on its website devoted to the SOC. The website contained information to assist bidders on the front-end of the solicitation process including the schedule and details on how to register in PowerAdvocate. SCE also utilized the PowerAdvocate Platform, which was used as a repository for the solicitation documents and bidders to submit their proposals.

5.2 RFO INSTRUCTIONS AND DOCUMENTS ISSUED

[11] The website address for the solicitation is www.sce.com/procurement/solicitations/dersoc

SCE distributed RFO Instructions and related documents to market participants via email on September 15, 2022. The 2022 SOC RFO included the following documents:

- 2022 SOC RFO Instructions, including provisions of the PSA
- Attachment A-1 & A-2; Product Description and Requirements
- Attachment B; Offer Support Documents
- Attachment C; Distribution Deferral Need
- Attachment D; Incrementality Matrix

SCE utilized the PowerAdvocate® platform for solicitation-related communication, bid submissions, and document hosting. SCE required that Participants register for the bid event on the PowerAdvocate® platform where SCE also uploaded all of the solicitation documents.

Eligible technologies and solicitation schedule were also provided RFO instructions.

The Solicitation Protocol provided an overview of the RFO including the solicitation goals, project types/agreements, eligibility requirements, and submission requirements. The RFO also contained several appendices, several of which Participants had to submit as part of their proposal.

5.3 BIDDER'S CONFERENCE

SCE held its Bidder's Conference on September 30, 2022. The IE called into and monitored the Webinar. Topics addressed at the Webinar included:

- Overview of the RFO
- Products & Eligibility
- Project Locations and Needs Assessment
    - Alessandro Project
- Distribution Resources Plan External Portal ("DRPEP")
    - Integration Capacity Analysis
- Interconnection Process
    - By substation and circuit
- Customer Composition
- Incrementality
    - Category definitions
- Offer Valuation and Selection
- Final Q&A Session

A total of 20 individuals attended the Bidder's Conference.

5.4 QUESTIONS AND ANSWERS

While SCE responded to eight questions submitted to PowerAdvocate by individual potential participants, SCE did not compile a separate Frequently Asked Questions document on the webpage that included all questions submitted by participants.

5.5 REVIEW OF EVALUATION PROTOCOLS

The IE had the opportunity to review and comment on an early version of the RFO protocol document prior to initiation of the RFO. In addition, SCE held multiple meetings with the IE to discuss the RFO design and bid evaluation methodology. SCE scheduled meetings throughout August and September to discuss the bid evaluation methodology and input assumptions along with the basis for the evaluation methodology given the products requested. SCE described each of the evaluation components in detail as described in the previous section in order to offer the IE the opportunity to ask questions about each component. SCE was able to clarify any questions about the evaluation process prior to receipt of offers.

5.6 RECEIPT OF OFFERS

The deadline for SCE to receive offers was November 30, 2022. Participants were required to submit all required forms and documents to the PowerAdvocate platform. Due to a number of questions being submitted by bidders that required a response by internal subject matter experts who were out of the office during holidays, SCE extended the offer submission period by one week so that offers were due on December 7, 2022. Upon receipt of offers on PowerAdvocate, the IE reviewed the offers and prepared a summary table which contained pricing, project details, operational information, estimated def erral contributions, and other pertinent information associated with each offer. SCE initially received-

[redacted]

The IE and SCE team also reviewed the offers for conformance with eligibility requirements and completeness.

The Offer Form contains the calculations to determine if the offer meets the project needs and if the pro·ect costs are below the deferral project cost cap. As the Offer Form calculated, [redacted] Table 8 details the estimated deferral contribution percentage for each delivery year for both offers:

Table 8: Deferral Contribution Percenta e rior to need Update)

Year	Contribution Percentage
2025	[redacted]
2026	
2027	
2028	
2029	
2030	
2031	

The initial check was to ensure that the project, or portfolio of projects, met the deferral needs. From there, the Offer Form also calculates the total expected payments based on the capacity price input. Table 9, below, providesa detailed summary of the offer submitted, including the project costs' percentage of the cost cap:

Table 9: -Offer Summary

	[redacted]	[redacted]
Bidder		
Pro·ect Name		
Technolo		
Substation		
Circuit		
Delivery Start Date		
Delivery End Date		
Contracted Capacity (MW		
Contracted Energy (MWh)		
Minimum Guaranteed Efficiency Factor		
Capacity Price ($/kW-mo)		
Total Expected Payments ($		
Percentage of Cost Cap (%)		

As calculated in the Offer Form, [redacted]

5.7 COMPLETE & CONFORMING PROCESS

Upon receipt of the offer, the 2022 SCE SOC initiated the Complete and Conforming process to review the offer submitted, identify any missing information from the offer, determine errors in the submission, ensure the offer meets the solicitation's eligibility requirements, and seek clarification regarding information included in the offers. The initial round of communications to conform offer requirements took place within a week of initial offer submission. The goal of the

complete and conforming process was to ensure that SCE obtained all relevant project information and clarify offer details to ensure that all offers could be evaluated and that offer specifics were conforming to the eligibility requirements of the solicitation.

5.8 PROJECT NEEDS UPDATE

During SCE's DPP, updates made to SCE's planning software resulted in incorrect correlation of historical weather data to the circuits and substations in SCE's service area, which produced an incorrect forecast. As a result, on July 29, 2022, SCE filed a motion seeking approval for extension of its 2022 GNA report an DDOR. On August 30, 2022, the ALJs partially approved SCE's motion. SCE filed its partial DDOR on September 2, 2022 and planned to file a complete GNA/DDOR on January 13, 2023. While the partially filed GNA/DDOR would identify potential solicitation candidates, there was a chance that the file GNA/DDOR would show a new prioritization of deferral candidates or updated needs for specific projects.

On December 9, 2022, SCE held a meeting with the IE to discuss the offer submissions for both the SOC and DIDF Offer submittals. During this meeting, it was disclosed that an increase in the need for the Alessandro Project had been discovered, including capacity and energy. Table 10 below summarizes the updated needs.

Table 10: Updated Deferral Need, Alessandro 115/33kV Substation

Year	Capacity (MW)	Energy Need (MWh)	Season	Monthly Frequency	Yearly Frequency
2022	0.0	0.0		0	0
2023	0.0	0.0		0	0
2024	0.6	0.6	Summer	5	15
2025	1.2	2.0	Summer	5	15
2026	1.1	2.1	Summer	5	15
2027	1.8	3.1	Summer	5	15
2028	2.0	4.9	Summer	5	15
2029	1.8	4.2	Summer	6	15
2030	1.6	3.0	Summer	6	15
2031	1.3	2.7	Summer	5	15

As shown in the following table 11, the needs increased for both energy and capacity; however, the total deferral value did not change.

Table 11: Deferral Project Details

Project Name	Total Deferral Value	Max. Capacity Need Through 2031 (MW)	Max. Energy Need Through 2031 (MWh)	Need year
Alessandro	$1,068,553	1.3	**2.2**	2025
Alessandro (Updated)	$1,068,553	2.0	**4.9**	2025

While the revised needs resulted in a 54% increase in capacity and 123% increase in energy, the deferral value did not change. [redacted] requesting a meeting in order to address the updated need and details of their offer submitted.

[redacted]

5.9 REVISED OFFER SUBMISSION

[redacted] as illustrated in Table 12.

Table 12: Deferral Contribution Percentage

Year	Contribution Percentage
2025	[redacted]
2026	
2027	
2028	
2029	
2030	
2031	

The operational, technical, and pricing characteristics of the offer provided in Table 13.

Table 13: [redacted] Offer Summary [redacted]

Bidder	[redacted]	
Project Name	[redacted]	[redacted]
Technology		
Substation		
Circuit		
Delivery Start Date		
Delivery End Date		

Minimum Guaranteed Efficiency Factor	[redacted]	[redacted]
Capacity Price ($/kW-mo)		
Total Expected Payments ($)		
Percentage of Cost Cap (%)		

Due to the increased size requirements, as well as the increased pricing, the total notional costs of the project increased significantly. [redacted]

5.10 RECOMMENDED SHORTLIST SELECTION MEETING

On December 4, 2023 SCE held a meeting with the IE to review the updated SOC offer and discuss project selection for both the SOC and DIDFRFOs. SCEdiscussed the [redacted] Table 14 provides details on the project costsrelative to the deferral value of the project.

Table 14: Cost Effectiveness of [redacted] Offers

Deferral Value	Admin Cost	Effective Cost Cap	Total Expected Payments	PV of Expected Payments	Project NPV	Percent of Cost Cap
$1,068,553	[redacted]					

There was extensive discussion about the project selection. [redacted] As a result, SCE decided to not select the project.

5.11 COST ALLOCATION MECHANISM {"CAM") GROUP MEETING

On February 8, 2023, SCEgave a presentation to the CAM Group for consultation on the recommended selection to not shortlist any offers due to insufficient cost-effectiveness. SCE provided the following bullet pointsin the executive summary:

- The original capacity and energy volumes required to meet the original 2022 projects needs increased, although the deferral values and scope did not change.
  - Original deferral project Alessandro Substation need - 1.3 MW capacity/2.2 MWh energy
  - Updated deferral project Alessandro Substation need - 2.0 MW capacity/4.9 MWh energy
- On September 15, 2022 SCE launched the second annual SOC Pilot solicitation and [redacted]
- The Alessandro Substation need changed after close of bid window, so SCE went back to [redacted]
- [redacted]

5.12 NOTIFICATION OF BIDDER(S)

SCE notified the bidder of non-selection on February 10, 2023 through email directly as well as in PowerAdvocate. As a result, the 2022 SOC Pilot was subsequently closed out.

6 FAIRNESS OF SOLICITATION PROCESS

6.1 PRINCIPLES AND GUIDELINES USED TO DETERMINE FAIRNESS

In evaluating SCE's performance in implementing the 2022 SOC RFO solicitation process, the IE has applied a number of principles and factors, which incorporate those suggested by the Commission's Energy Division in previous Templates as well as additional principles that the IE has used in its oversight of other competitive bidding processes. These include:

- What qualitative and quantitative factors were used to evaluate offers?
- If applicable, were affiliate offers treated the same as non-affiliate offers?
- Were economic evaluations consistent across offers?
- Was there a reasonable justification for any fixed parameters that enter into the methodology?
- Were all Participants treated the same regardless of the identity of the Participants?
- Were Participants questions answered fairly and consistently and the answers made available to all?
- Did the utility ask for "clarifications" from Participants, and what was the effect, if any, of these clarifications?

As described in detail in the previous sections of this report, SCE evaluated the offer received based on both quantitative and qualitative factors. Given that the deferral percentage contributions and project cost relative to the deferral project cost cap are calculated within the offer form, the quantitative evaluation is generally straight forward.

As previously noted, SCE used reasonable methodologies for assessing any offer received. The development of the Offer Form allowed for a very transparent evaluation methodology that aligns with the requirements outlined in the Decision. SCE worked actively with [redacted] during the Complete and Conforming process so that offer the offer could be appropriately evaluated. [redacted] there was no concern about all offers being treated consistently with regards to the quantitative and qualitative evaluation.

SCE's project team was very actively engaged in the process from the very beginning. This included responding to bidder questions and seeking clarification from Participants when required. With regard to Bidder questions, SCE both responded to questions from Participants about the solicitation process. The IE was copied on all Questions and Responses to Participants. We found no cases where SCE favored a specific Participant over another. SCE responded consistently to all Participants throughout the process.

6.2 IE METHODOLOGY USED TO EVALUATE ADMINISTRATION OF PROCESS

As previously discussed, the IE was actively involved in all phases of the process. The IE was copied on all emails exchanged between SCE and Participants. The IE was also invited to and attended most of the calls with Participants wherein SCE sought to clarify any uncertainties about the offers or inconsistencies associated with submission of offer information.

The IE also compiled a summary of the offers and was fully engaged in the process throughout the solicitation. In addition, the IE and SCE evaluation and transaction teams held several conference calls to discuss the progress of the solicitation and any issues that arose during the process.

With regard to the quantitative evaluation, the IE held discussions with the quantitative evaluation team to discuss the bid evaluation methodology prior to submission of bids to ensure the IE had a strong understanding of the evaluation methodology and presentation of evaluation results.

Based on the IE's active involvement throughout the solicitation process, the IE concluded that SCE reasonably followed the criteria outlined in the 2022 SOC RFO.

6.3 TREATMENT OF OFFERS IN COMPLETE & CONFORMING PROCESS

After the offers were received, the initial task undertaken by SCE's project team was to review the offers to assess if the offers conformed to the eligibility provisions listed in the Protocol. [redacted] there were no inherent unfairness issues between bidders regarding the Complete & Conforming process. After completion of the process, [redacted] was deemed to be ineligible due to the technology maturity and scalability.

When the Alessandro project needs were updated, SCE contacted the bidder, discussed the needs update, reviewed project details, and allowed the bidder to

resubmit revised offers. SCE and the bidder discussed possible project reconfigurations to optimize the project costs relative to the new deferral needs. SCE allowed the bidder ample time to submit the revised offer

6.4 CONCLUSIONS REGARDING ADMINISTRATION OF BID EVALUATION PROCESS

The IE has concluded that the bid evaluation process was fairly administered and conducted consistent with the RFO Instructions. The IE felt that SCE's project team performed their function in communicating with Participants throughout the process in an exemplary manner, including responses to Participant questions prior to offer submission to assist Participants with questions about submission requirements, follow-up communications with Participants to clarify offer forms and information about the offer after submission, and with regard to follow-up conference calls with Participants to clarify offer information. SCE generally provided thorough and informative responses to Participant questions and did so in a timely manner.

The IE felt that SCE's evaluation methodology was effective in evaluating the potential products eligible for the solicitation and agreement structure in a consistent, fair, and transparent manner. In fact, the Offer Form performed all necessary calculations so that the bidder could see if their project offering would meet the entire deferral project's needs while remaining under the cost cap. This functionality offers tremendous transparency into the evaluation of an offer.

7 DOES THE CONTRACT MERIT CPUC APPROVAL

Since no projects were selected, no contract negotiations took place.

8 TREATMENT OF AFFILIATE BIDS AND UOG PROPOSALS

No affiliate bids for Utility-Owned Generation ("UOG") bids were submitted in the 2022 SOC Pilot RFO. While the ALJ Ruling Modifying the Distribution Investment

Deferral Framework Process issued on May 11, 2020, and modified June 12, 2020 included a reform to encourage bids for all forms of resource ownership in the RFO and to allow for bid participation and evaluation without any bias towards a specific ownership model, Decision D.21-02-006 did not explicitly describe requirements for acceptance of UOG offers. As such, SCE did not contemplate UOG options for this solicitation and only solicited third party ownership offers. Therefore, standard safeguards to ensure a fair evaluation process across different ownership options were not necessary.

9 WAS THE RFO ACCEPTABLE?

1. Overall was the RFO conducted in a fair and competitive process, free of real or perceived conflict of interest?

2. Based on the complete bid process, should some component(s) be changed to ensure future RFOs are fairer or provide a more efficient, lower cost option?
3. Any other relevant information

The IE concludes that SCE has implemented the 2022 SOC RFO in a fair and consistent manner, marked by an overall objective to maintain a reasonably transparent and competitive solicitation process designed to be inclusive for all Participants. SCE worked closely with the Participant to ensure they fully understood the requirements of the process and were able to submit all the necessary information to allow for a thorough and consistent evaluation process given the short time available to conduct the solicitation.

As noted in this report, SCE's outreach activities were designed to encourage a wide range of participants. However, the process resulted in a very minimal response and therefore was not a competitive process.

The IE generally agreed with SCE's approach to end the solicitation with no projects selected.

10 CONCLUSIONS AND RECOMMENDATIONS OF SOC PILOT

10.1 CONCLUSIONS AND OBSERVATIONS

Merrimack Energy has the following conclusions and observations regarding the 2022 SOC solicitation process based on its role of IE in this process:

1. SCE generally implemented the 2022 SOC RFO solicitation process consistent with CPUC Decision D.21-02-006, which requires SCE to design and implement the Standard Offer Contract pilot as a second framework for distributed energy resource solicitations with the intention of reducing transactional costs and risks present in the current DIDF RFO process;

2. SCE's outreach activities and interaction with Participants prior to and after submission of offers was designed to provide a significant base of information for Participants. This included holding a Bidder's Conference for potential Participants. SCE engaged in discussions and email exchanges to ensure the Participants were in line with the schedule and process. In addition, SCE sent emails to all contacts on its email list for solicitations, which totals over 2,800 contacts. Overall, SCE's outreach activities were satisfactory;

3. SCE's 2022 DIDF RFO resulted in a limited response from the market in terms of the number of offers, particularly given the extended offer submission timeline and simplified process. SCE initially received [redacted] which met the deferral project's needs in a cost-effective manner; however, once the deferral project needs were updated, while the revised offers submitted by the bidder met the updated needs, neither offer was cost effective relative to the deferral value

4. SCE developed the evaluation methodologies and process to reflect the products being solicited, similar to the "Least Cost Best Fit" methodology used for other recent similar RFOs. In addition, SCE prepared an Offer Workbook that included the calculations necessary to determine an offer's cost effectiveness relative to the deferral project;

5. The IE found the solicitation documents to be very transparent and well-structured to allow potential Participants to effectively decide whether and how they wished to compete. The 2022 SOC RFO Solicitation documents clearly defined the procurement targets, products solicited, eligibility requirements, evaluation process and criteria, information required of Participants and company objectives;

6. The IE found no evidence of any preference toward any bidder or type of project;

7. The IE concludes that the process was undertaken in a fair and equitable manner and all Participants were treated equally.

10.2 RECOMMENDATIONS

1. There was a limited response to this solicitation. SCE should consider conducting outreach to past participants of the DIDF solicitations and other IFOM developers as to their reasons for not participating to better understand the barriers to entry into the SOC solicitation.

2. It should be considered whether or not the administrative costs should be an added fixed cost to the project. It's not clear if administrative costs that would be incurred in the implementation of the traditional mitigation projects are included in the deferral value calculations, so SCE may consider the use of administrative costs in the comparison of the traditional mitigation costs against the DER solutions. In addition, while it didn't factor into the evaluation and selection process, SCE may consider reevaluating cost estimates included in the administrative costs for accuracy;

3. SCE should undertake a complete and comprehensive evaluation during the solicitation process, particularly a qualitative evaluation. While SCE identified a number of qualitative criteria that would be considered in the RFO Instructions, SCE did not complete a formal qualitative evaluation of the offers. Completing a full qualitative evaluation of offers could not only help identify flaws in the proposal, but also identify challenges operating within the solicitation itself.

4. There were a couple challenges encountered relating to the proposed schedule. As discussed earlier in the report, the offer submission deadline was extended in order to provide additional time for SCE to respond to bidder questions. In addition, the error encountered in DPP that resulted in delayed final DPAG/DDOR filing required a revised offer to be submitted, further delaying the offer evaluation and selection process. Lastly, while the selection decision was determined in mid-January and the June 16, 2022 ALJ Ruling outlined a schedule to notify the PRG of the selection status in January 2023, SCE held their PRG meeting on February 8, 2023. While some of these delays may be outside of the procurement team's control and likely didn't impact the solicitation outcome, the IE recommends that solicitations stick to the pre-established schedule as closely as possible.

10.3 RECOMMENDATION REGARDING CONTINUATION OF SOC PILOT

Resolution E-5190 requires that the IE provide a recommendation on the continuation of the SOC Pilot based on data from the first two years of the solicitation. Merrimack Energy recommends that the SOC be continued for the final year of the SOC Pilot for several reasons:

- In both years, SCE has received bids that were able to meet the project needs. In the previous solicitation, the proposed project met the deferral needs and was more economic than the traditional deferral solution; however, the proposed technology was not commercially proven. In the 2022 solicitation, the initial bid met the need and was more economic than the traditional deferral solution; however, as described earlier, when the needs were increased, the revised bid was able to meet the needs but was not economic relative to the traditional solution.
- In the DIDF solicitations, the first hurdle for proposals is to ensure that the projects offered meet the deferral project's needs. Looking at these solicitations historically, it's been more of a challenge for aggregators of behind-the-meter projects to meet the entire project need. It appears that IFOM projects are generally more successful in meeting the project needs, which is the technology configuration that the SOC Pilot solicits.
- It is the IE's experience based on previous solicitations held across the state of California, that site-constrained solicitations generally result in less competition. Therefore, the overall minimal competition exhibited in SCE's SOC Pilot processes should be generally expected and is not necessarily a sign of a failing pilot program.
- Generally, the success of the project is highly dependent on the specific characteristics of the deferral opportunity. Without knowing what project will be recommended in the upcoming GNA/DDOR process, it's very difficult to predict the outcome and potential success of the SOC Pilot process.

SOUTHERN CALIFORNIA EDISON COMPANY

Independent Evaluator Report

2022 SCE Standard Offer Contract RFO

Prepared for California Public Utilities Commission

March 15, 2023

PUBLIC VERSION

Prepared By:

MERRIMACK ENERGY GROUP, INC.

Contents

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1 INTRODUCTION

1.1 OVERVIEW

On September 15, 2022, Southern California Edison Company ("SCE" or "Company") issued its 2021 Distributed Energy Resources Standard Offer Contract Request for Offers ("2022 SOC RFO" or "SOC RFO") seeking offers from Participants for the purchase of new or otherwise incremental In-Front-of-the-Meter ("IFOM") Distributed Energy Resources ("DERs"), regardless of the form of ownership (e.g., utility-owned, third-party owned, customer-owned, joint ownership), to provide Renewable Energy and/or Energy Storage ("ES"), Capacity, with the exception of resources that utilize natural gas and/or biofuel, for purposes of deferring upgrades to SCE's distribution network, pursuant to California Public Utility Commission ("CPUC") Decision D.21-02-006.

Decision D.18-02-004 requires SCE to undertake incremental procurement of distributed energy resources ("DER") that are cost-effective or have a positive Net Present Value ("NPV"), relative to any traditional distribution upgrade project. Per CPUC issued Decision D.21-02-006 issued on February 12, 2021, SCE was directed to launch the second of a three-year SOC pilot, for at least one Tier 1 deferral project for the purpose of procuring DERs to defer the need for capital expenditures for traditional distribution infrastructure upgrades. Deployed DERs will alleviate infrastructure strain and may allow distribution upgrades to be made later in time.

The goal of the SOC RFO pilot is to (1) decrease transactional costs and risks that currently exist in the Distribution Investment Deferral Framework (DIDF) and (2) increase market participation relative to the DIDF solicitations.

The Decision mandates that only In-Front-of-the-Meter ("IFOM") projects are eligible as either IFOM Energy Storage or IFOM Distributed Generation. The SOC Pilot intends to utilize a simple auction pricing mechanism where the IOUs would publish a price sheet for the respective Tier deferral project that include the cost cap (deferral value) along with the DER services solicited. Participants would then submit offers at or below the cost cap and as long as 90% of the Tier 1 deferral project needs are met, IOUs would be required to move towards contract execution with the respective bidders.

1.2 REGULATORY BACKGROUND

On August 14, 2014, the Commission instituted Rulemaking (R.) 14-08-013 to establish policies, procedures, and rules to guide the California investor-owned

utilities (IOUs) in developing their Distribution Resources Plan (DRP) proposals. This rulemaking also established new polices to evaluate the IOUs' existing and future electric distribution infrastructure and planning procedures with respect to incorporating DERs into the planning and operations of their electric distribution systems.

On February 15, 2018 the Commission issued Decision (D.) 18-02-004 on Track 3 Policy Issues, sub-track 1 (Growth Scenarios) and sub-track 3 (Distribution Investment and Deferral Process). Decision D.18-02-004 adopted an annual DIDF process for SCE to procure incremental distributed energy resources ("DER") that are cost-effective or have a positive Net Present Value ("NPV"), relative to any traditional distribution upgrade project. The decision also directed the IOUs to file a Grid Needs Assessment ("GNA") by June 1 of each year, and a Distribution Deferral Opportunity Report ("DDOR") by September 1 of each year to be vetted by the Distribution Planning Advisory Group ("DPAG"). Subsequently, on May 2019, assigned Administrative Law Judge (ALJ) Mason issued a Ruling (May 2019 Ruling) modifying the DIDF process. One notable modification was the new August submission date for both the GNA and DDOR reports.

On May 11, 2020 and subsequently modified June 12, 2020, the Commission issued an ALJ ruling that expanded the requirements of the GNA and DDOR and made modifications to the role of the DPAG and IPE, hereafter referred to as the May 2020 ruling. The CPUC's May 2020 ALJ Ruling contained updated requirements for the IEs overseeing the IOUs' annual DIDF RFOs, including a requirement for an annual IE Post-RFO Comparison Report which would cover the following topics:1

1. compare the RFO materials of the IOUs that issued RFOs,
2. evaluate compliance with CPUC requirements,
3. compare RFO outcomes,
4. track RFO outcomes over time, and
5. make recommendations for best practices, standardization, RFO improvements, and associated DIDF reforms.

On February 12, 2021, the Commission issued D.21-02-006, adopting the Partnership Pilot, Standard Offer Contract (SOC) Pilot, and modifications to the DIDF RFO. In D.21-02-006, the Commission also updated the May 2020 ruling's Reform 40 to also require utilities to submit an Advice Letter seeking approval to exclude all planned investments from their DIDF RFO and Pilots.

[1] May 11, 2020 ruling, R14-08-013, Attachment C: IE Scope of Work

The SOC Pilot is a three-year pilot, limited to in-front-of-the-meter (IFOM) DERs (i.e., no behind-the-meter (BTM) DERs), that streamlines the existing DIDF RFO procurement process. The CPUC ordered the development of the SOC Pilot to function separately, but in conjunction with the DIDF RFOs with the intent to decrease transactional costs and risks and increase market participation relative to the DIDF RFO solicitations.

On January 27, 2022, the CPUC approved Resolution E-5190, which approved with modifications the evaluation criteria for the Partnership Pilot and Standard Offer Contract Pilot pursuant to Decision D.21-02-006. Ordering Paragraphs 5 and 6 required an Energy Division-led process for establishing evaluation criteria for the SOC Pilot and Partnership Pilot. Per the decision, evaluation of the pilots will occur during annual reviews with midstream evaluations and final evaluations occurring during the annual DIDF reform process. The approved evaluation criteria for the pilots include:

- Success, performance, and off-ramp criteria
- Annual data reporting milestones, including:
    - Independent Evaluator DIDF/SOC RFO Reports[2]

Resolution E-5190 adopted a timeline for the pilot evaluation activities that aligns with the annual DIDF reform process which modified the DIDF schedule previously established in the June 21, 2021 Ruling in R.14-08-013. Therefore, the annual reforms process will now address reforms to the Partnership Pilot and the SOC, in addition to the DIDF process. Resolution E-5190 requires that each IOU's IE will submit the following reports as part of the pilot evaluation process:

- IE DIDF RFO/SOC Contract Report
- IOU and IE Annual Partnership Evaluation Report
- IE Mid-Stream Partnership Pilot Evaluation Report

Attachment B to Resolution E-5190 provided a full outline of the timelines for each activity under the DIDF/SOC processes and the Partnership Pilot. On June 16, 2022 the ALJ Ruling recommended reforms for the DIDF process, the Partnership Pilot, and the SOC Pilot, which included an updated timeline of activities to be completed. After subsequent modifications to the DPAG Schedule for the 2022/2023 DIDF Cycle, Table 1 provides an overview of the DPAG activities timeline, focusing on the solicitation processes and IE requirements:

Table 1: 2022-2023 DIDF/SOC Cycle Schedule

[2] This report is the same as identified in the May 11, 2020, DIDF Ruling under the Independent Evaluator scope of work (R.14-08-013, May 11, 2020, Ruling, Appendix C) but with the addition of the SOC.

Activity	Date
Utilities Submit DIDF Procurement Status Report (every 6 months)	May 15, 2022
Pre-Screening period for Partnership Pilot	July 15, 2022 to August 15, 2022
Utility GNA/DDOR Filings	August 15, 2022
Utilities Launch DIDF RFO and SOC Pilot	September 15, 2022
Advice Letter for approval to launch subscription period for Partnership Pilot	November 15, 2022
Advice Letter for approval to not launch RFOs/SOCs/Partnership Pilot for remaining candidate deferral opportunities in GNA/DDOR filings	November 15, 2022
SCE final and complete 2022 GNA/DDOR filing	January 13, 2023
Utilities launch second round of RFOs or SOCs	January 15, 2023
Utilities launch Partnership Pilot Subscription Periods	January 15, 2023
IOU presentation to Procurement Review Group of RFO/SOC shortlist	January 2023
IOU Annual Partnership Pilot Evaluation Reports	March 15, 2023
IE DIDF RFO/SOC Reports Due	March 15, 2023
IE Annual Partnership Pilot Evaluation Report	March 25, 2023
DIDF and Pilots Reform Ruling	May 2023
IE Post-Procurement Utility Comparison Report Due	August 1, 2023

1.3 SOLICITATION AND PROJECT DETAILS

The traditional distribution infrastructure upgrade project was identified for deferral need in the SOC RFO through the DDOR process for a transformer upgrade at the Alessandro 115/33kV Substation ("Alessandro Project"). Table 2, as provided in Attachment C of the RFO Instructions, gives the high-level details of the Triton project including the deferral value, which is defined as the real economic carrying charge of deferring the revenue requirement associated with the traditional capital investment.

Table 2: Alessandro Project Overview

Project Name	Deferral Value	Need Year	Max. Capacity Need (MW) through 2031	Max. Energy Need (MWh) through 2031
Alessandro Project	$1,068,553	2025	1.3	2.2

Attachment C of the RFO instructions includes additional project need details for the project, including the hourly capacity profile for the project. Through this RFO, the net cost of DER solutions is compared to the deferral values of the traditional upgrade and need to be cost-effective relative to the deferral value in order to be selected. This RFO sought cost-effective offers that met the entire need or met

a portion of the need whereby a portfolio of offers may be selected that would meet the entire project's need.

The following table, Table 2, outlines the deferral projects' deferral year, capacity needs, energy needs, monthly frequency, and annual frequency for each circuit as originally outlined in the RFO Instructions. To successfully defer any project, all specific current needs must be met. Table 3 details the project needs for the Alessandro 115/33kV Substation. As described later in this report, the project needs were updated from the original project needs. The peak hourly needs are further detailed in Attachment C of the RFO Instructions.

Table 3: Alessandro 115/33 kV Substation Project Needs Details[3]

Year	Capacity (MW)	Energy Need (MWh)	Season	Monthly Frequency	Yearly Frequency
2022	0.0	0.0		0	0
2023	0.0	0.0		0	0
2024	0.0	0.0		0	0
2025	0.5	0.5	Summer	5	15
2026	0.4	0.6	Summer	5	15
2027	1.1	2.2	Summer	5	15
2028	1.3	2.2	Summer	5	15
2029	1.1	1.8	Summer	6	15
2030	0.9	1.7	Summer	6	15
2031	0.6	1.1	Summer	5	15

For the Alessandro project, a new 28 MVA transformer is planned to relieve the capacity limit exceedances on the Alessandro 115/33 kV substation. The Crossley 33kV is projected to exceed capacity limits according to the values in Table 1, above.

To successfully defer the Alessandro Project, the specific substation need at Alessandro 115/33 kV must be met. To defer the need for a new transformer upgrade at Alessandro 115/33 kV substation, DERs can interconnect at any combination of circuits that are fed from Alessandro 115/33kV substation or from Gavilan 33/12 kV substation:

- Ironwood 33 kV circuit out of the Alessandro 115/33 kV substation
- Oliver 33 kV circuit out of the Alessandro 115/33 kV substation
- Pfieffer 33 kV circuit out of the Alessandro 115/33 kV substation
- Pawnee 12 kV circuit out of the Gavilan 33/12 kV substation

[3] As described later in this report, the needs were updated for the Alessandro project.

- Seminole 12 kV circuit out of the Gavilan 33/12 kV substation
- Blackfoot 12 kV circuit out of the Gavilan 33/12 kV substation
- Scalp 12 kV circuit out of the Gavilan 33/12 kV substation
- Arapaho 12 kV circuit out of the Gavilan 33/12 kV substation

On September 15, 2022 SCE launched the 2022 Distributed Energy Resources RFO and posted the Solicitation Protocol document and other associated documents on its website. The RFO schedule is outlined in Table 4.

Table 4: RFO Schedule[4]

Event	Date
RFO Launch	September 15, 2022
Bidder's Conference	September 30, 2022
Offer Submittal Deadline	November 30, 2022
CAM Group Offer Selection Consultation	By January 11, 2023
Final Selection Notification	By January 13,2023
Final Contract Execution by Counterparty	By February 3, 2023
CPUC Informational Filing	By February 25, 2023

As noted in the RFO Instructions, SCE reserves the right to add, remove, or revise any RFO event date. The schedule was revised several times throughout the process, which is described later in this report.

In the 2022 SOC RFO Instructions document, SCE listed a number of requirements and preferences to inform prospective Participants of the requirements for competing in the procurement process. A summary of the key provisions of the SOC RFO Instructions is provided in Table 5.

Table 5: Provisions of the 2022 SOC RFO

2022 SOC RFO Requirements or Characteristics	General Project Eligibility
Resource Needs	SCE is soliciting new or otherwise incremental eligible resources to provide Renewable Energy and/or Energy Storage (as applicable for each Product), with the exception of resources that utilize natural gas and/or biofuel, for purposes of deferring upgrades to SCE's distribution network.
Products Solicited	Eligible Products (each a "Product" and collectively "Products") include: • IFOM Renewable Distributed Generation (250 kW minimum) • IFOM Energy Storage (500 kW minimum)

[4] As described later in the report, the RFO schedule was updated with the offer submittal deadline being extended to December 7, 2022 to accommodate potential participants' questions prior to the submission deadline.

	Eligible projects must be new build or otherwise incremental to existing installations and use proven, commercially available technology that is scalable to project size. In this SOC RFO, bidders submitting offers for Energy Storage are responsible for all actions as required to deliver the Charging Energy Requirements of the Project, including costs associated with charging Therefore, bidders of Energy Storage Projects should include the Charging Energy Costs (i.e., electric energy costs associated with providing the Charging Energy Requirements to the Delivery Point) in their pricing. SCE will not directly reimburse sellers for any costs associated with these charging requirements.
Agreement Types	SCE is only seeking third-party owned projects for the deferral project. The objective of this RFO is to execute contract(s) utilizing the approved SOC RFO Pilot Purchase and Sale Agreement ("PSA"). There will be no opportunity for Offerors to negotiate any of the terms and conditions of the PSA prior to execution. If the Participant's offer is selected, the Participant will be offered a contract in the form of the PSA with only those changes necessary to reflect the project specifics.[5]
General Eligibility Requirements	SCE is seeking new or incremental resources to meet the needs of applicable circuits and defer the distribution upgrades. Offers must meet the minimum requirements listed below: ***1) Vintage*** – New build (not existing or repowered) or otherwise incremental to existing installations; ***2) Technology*** – Proven, commercially available technology that is scalable to the project size (not in experimental, research, demonstration, or development stages), as determined in SCE's sole discretion; ***3) Incrementality*** – Incremental offers consistent with the principles adopted by the CPUC in D.16-12-036, including ensuring that customers do not pay twice for the same service; ***4) Project Start Dates*** – • No earlier than December 1, 2024, but no later than June 1, 2025 • Energy Storage resource offers are limited to a maximum contract term of seven (7) years.
Interconnection and Location Eligibility	SCE is launching its 2022 SOC RFO to procure DERs for one location: Alessandro (Moreno Valley, CA). Projects must be located within SCE's service territory, specifically connecting to a load, circuit, or lower voltage substation in SCE's distribution system that electrically connects to any combination of the substations or circuits listed above.
Pricing	Participants are required to provide a complete Offer package and include pricing in their Offer Form.

[5] Participants must incorporate all respective provisions of the PSA and requirements of the RFO process into their pricing.

Number of Offers and Variations Allowed	An Offeror can submit up to ten (10) Offers for each interconnection point and product type. Given that there are two product types, an Offeror can submit up to twenty (20) Offers for this RFO.
Evaluation Process and Evaluation of Offers Received	SCE will employ a Least-Cost, Best-Fit (LCBF) Methodology for the SOC RFO. The LCBF methodology uses a Net Present Value ("NPV") analysis to quantitatively assess the cost-effectiveness of the potential deferral solution while considering the qualitative benefits. The quantitative component of the evaluation includes a Net Present Cost ("NPC") analysis. The methodology is generally consistent with other solicitations that SCE has conducted by does not include a benefits calculation, as value components like energy, ancillary services, and capacity are not being procured. The only quantitative benefit of the RFO is the Deferral Value which will be attributed to any Offer/s that are able to satisfy the Project Need The first part of the quantitative evaluation entails forecasting the costs of each Offer. The costs are discounted using an annual discount rate resulting in a net present value for each Offer. This methodology is consistent with valuations performed by SCE in other solicitations but appears different as there are no benefits attributed to any Offers within the SOC RFO. Value components such as energy/AS and RA attributes are not being procured and therefore will not be included in any Offer's quantitative evaluation. The only quantitative benefit of the RFO is the Deferral Value which will be attributed to a portfolio that is able to satisfy the Project Need. Once all the Offers' net present values are calculated, SCE will assess which Offers can, either as part of a portfolio of Offers or as single Offer, meet 100% of the circuit's project need. **SCE preference is for an Offer that can meet 100% of the Alessandro Project's need**. Each Offer's deferral contribution will be assessed based on the offer type and characteristics submitted within the Offer Workbook. Once feasible deferral portfolios[6] are created, the present value of the portfolio's expected costs is then netted against the Deferral value, less the Administrative costs, to arrive at a Project NPV. A Project NPV that is greater than or equal to zero (0) is deemed to be cost effective. In other words, a cost-effective portfolio is reached if the sum of the present value of the Portfolio Cost and Administrative costs are less than the Deferral Value. In addition to the quantitative NPV analysis, SCE also considers each Offer's non-quantifiable characteristics of each Offer by conducting an analysis of each project's qualitative attributes. Both the quantitative and qualitative components are considered when determining which Offers to select.
Offer Submittal Process	All Offers must be received by November 30, 2022 at 12:00 PM (PPT). All offers for this RFO must be submitted electronically through PowerAdvocate.

[6] Portfolio of one or many Offers which satisfy at least 90% of the deferral need.

Offer Package	All offers must contain all required information and must be organized in accordance with the instructions listed in the RFO Protocol. Information required includes: 1. Offer Workbooks 2. General Proposal Letter 3. Consent for Release of Interconnection Related Information Interconnection Study 4. Fast Track Review Report 5. Signed Generator Interconnection Agreement ("GIA") 6. Developer Experience Attestation 7. A partially executed NDA 8. A completed MUA Services Questionnaire 9. Developer Experience Attestation 10. Project Information
Development Security and Performance Assurance	The PSA requires collateral to be posted for Development Security ("DS") and Performance Assurance ("PA") in accordance with the table in the RFO Instructions. The Development Security is $100/kW for both product types. The Performance Assurance varies by resource type and contract term: • $35/kW for 10-year delivery term • $50/kW for 15-year delivery term • $65/kW for 20-year delivery term

In addition to the RFO requirements listed above, in the RFO Instructions, SCE listed several preferences, but not requirements related to any offer submission:

- Offers meet 100% of the Alessandro Project's need;
- The project is capable of meeting load during the greatest proportion of the deferral time period specified in Attachment C;
- A shorter delivery term;
- Offers ramp up in capacity over time to meet the needs.

The Technology Neutral Pro Forma ("TNPF") utilized in the DIDF solicitations seeks to purchase multiple products including RA, Energy, and Ancillary Services; however, for the SOC RFO SCE altered the Pro Forma to purchase distribution deferral benefits only. While a majority of the provisions in the TNPF Base would remain the same as the DIDF solicitations, in addition to the SOC RFO Purchase and Sale Agreement being non-negotiable, the following modifications were made to the contract:

- TNPF Base
    - The SOC Pilot only includes IFOM projects, the TNPF Base would only reference the two attachments for IFOM Energy Storage and IFOM Distributed Generation
    - The only product being solicited is "Distribution Services", so provisions relating to other products/services, like Resource Adequacy or Ancillary Services, were removed
- IFOM Energy Storage Attachment

- Remove references to RA, tolling, Energy, Ancillary Services, and the delivery of those products.
- SCE will not be the Scheduling Coordinator.
- Removal of RA Only and RA with Put Option structure.
- There is a single Capacity Price and Payment for Distribution Services availability. The seller must follow the deferral dispatch instructions.
- Retain Local Resource Constrained Days ("LRCD") as a structure for dispatch such that SCE provides the dispatch schedule, and the Seller will Self-Schedule with CAISO.
- Prohibition of outages during deferral need months.
- Metering & Telemetry requirements to confirm and settle deferral dispatches.

- IFOM Distributed Generation Attachment
  - Remove references to RA, tolling, Energy, Ancillary Services, and the delivery of those products.
  - SCE will pay based on delivery energy ($/MWh) localized to deferral need times.
  - Include Local Resource Constrained Days ("LRCD") as a structure for dispatch such that SCE provides the dispatch schedule, and the Seller will Self-Schedule with CAISO.
  - Curtailments are Seller's risk and would result in non-payment.

1.4 SCE'S DIDF PROGRAM TRACKING

The first Distribution Investment Deferral Framework (DIDF) solicitations were in 2018 and the most recent solicitations (launched September 15, 2022. The outcomes of SCE's previously held DIDF solicitations are detailed in Table 6.

Table 6: SCE DIDF Solicitation Tracking

Cycle	IDER/RFO/SOC/PP	Deferral Project Location	Circuit Name	Max. Capacity Need (MW)	Max. Energy Need (MWh)	Solicitation Outcome	Status of Contract
2017/2018	IDER	Eisenhower	Eisenhower	2.54	4.62	Selection Made - Project Operational - Deferred	Active
2017/2018	IDER	Eisenhower	Desert Outpost	1.26	5.15	Selection Made - Project Operational - Deferred	Active
2017/2018	IDER	Newbury	Belpac	1.47	4.17	Selection Made - Project	Active

						Operational - Deferred	
2017/2018	IDER	Newbury	Hooligan	2.84	12.22	Selection Made - Contract Terminated	Inactive
2017/2018	IDER	Newbury	Intrepid	1.91	4.36	Selection Made - Contract Terminated	Inactive
2018/2019	RFO	Sun City	Sun City Substation	9.6	37.52	No Projects Selected	-
2018/2019	RFO	Sun City	Equinox Circuit	7.5	61.55	No Projects Selected	-
2018/2019	RFO	Sun City	Bradley Circuit	4.8	29.42	No Projects Selected	-
2018/2019	RFO	Sun City	Lusk Circuit	1.8	7.62	No Projects Selected	-
2018/2019	RFO	Mira Loma	Brewer Circuit	3.1	30.96	No Projects Selected	-
2018/2019	RFO	Mira Loma	Matterhorn Circuit	1.2	5.28	No Projects Selected	-
2019/2020	RFO	Elizabeth Lake #1	Saugus-Elizabeth Lake-MWD Foothill 66kV Subtransmission Line	6.8	18.4	Selection Made - Project In Development	Active
2019/2020	RFO	Elizabeth Lake #2	Saugus-Colossus-Lockheed-Pitchgen 66kV Subtransmission Line	7.8	23.4	Selection Made - Project In Development	Active
2019/2020	RFO	Eisenhower 115/33kV Substation	Crossley 33kV Circuit	2.5	4.3	No Projects Selected	-
2019/2020	RFO	Saugus-Newhall	Newhall 66/16 kV	12.5	39.6	No Projects Selected	-
2019/2020	RFO	Alessandro 115/12kV Substation	Elsworth 12 kV	1.8	9.8	No Projects Selected	-
2019/2020	RFO	Alessandro 115/12kV Substation	Fantastico 12 kV	1.9	6.4	No Projects Selected	-
2019/2020	RFO	Alessandro 115/12kV Substation	Kingsway 12 kV	0.3	0.6	No Projects Selected	-
2019/2020	RFO	Pechanga 115/12kV Substation	Lazaro 12 kV	0.7	0.7	No Projects Selected	-
2019/2020	RFO	Pechanga 115/12kV Substation	Matera 12 kV	0.2	0.5	No Projects Selected	-

2019/2020	RFO	Pechanga 115/12kV Substation	Noche 12 kV	1	2	No Projects Selected	-
2020/2021	RFO	Sun City	Goetz 12kV	3	15.2	No Projects Selected	-
2020/2021	RFO	Sun City	Harnage 12kV	0.4	0.4	No Projects Selected	-
2020/2021	RFO	Sun City	Oakdale 12kV	1.8	6.1	No Projects Selected	-
2020/2021	RFO	Elizabeth Lake	Guitar 16kV	1.3	4.9	No Projects Selected	-
2020/2021	RFO	Elizabeth Lake	Oboe 16kV	2.1	12.3	No Projects Selected	-
2021/2022	PP	El Casco	Jonagold 12kV Circuit	0.4	0.7	In Progress	-
2021/2022	PP	Shawnee Transformer Upgrade	-	6.9	31.5	In Progress	-
2021/2022	PP	Santa Clara - Colonia Substation	-	22.3	172.6	In Progress	-
2021/2022	SOC	Eisenhower 115/33kV Substation	Crossley 33kV Circuit	2.9	8.5	No Projects Selected	-
2021/2022	RFO	-	-	-	-	No Solicitation	-

1.5 ISSUES ADDRESSED IN THIS REPORT

This report addresses Merrimack Energy's assessment and conclusions regarding the following issues identified in the CPUC's IE Report Template:

1. Describe the role of the IE throughout the solicitation process;

2. How did the IOU conduct outreach to bidders? Was the solicitation robust?

3. Evaluate the administration of the solicitation process including the fairness of the investor-owned utility's ("IOU's") bid evaluation and selection process (i.e. quantitative and qualitative methodology used to evaluate and select offers, and consistency of evaluation and selection methods with criteria specified in bid documents, etc.);

4. Describe SCE's Least Cost Best Fit ("LCBF") methodology for evaluating offers. Was the LCBF process fairly administered? Evaluate the strengths and weaknesses of the IOU's methodology;

5. Describe the applicable project specific negotiations. Highlight any areas of concern including unique terms and conditions;

6. If applicable, describe safeguards, code of conduct and methodologies employed by the IOU to compare affiliate bids or utility-owned generation ownership offers. If a utility selected an offer from an affiliate or an offer that would result in utility asset ownership, explain whether the IOU's selection of such offer was appropriate;

7. Do the contract(s) merit CPUC approval? Is the contract reasonably priced and does it reflect a functioning market?

8. Based on the complete bid process, was the RFO acceptable?

2 DESCRIPTION OF THE ROLE OF THE IE

2.1 REGULATORY REQUIREMENTS FOR THE IE

The requirements for participation by an IE in utility solicitations are outlined in CPUC Decisions ("D").04-12-048 (Findings of Fact 94-95, Ordering Paragraph 28), D.06-05-039 (Finding of Fact 20, Conclusion of Law 3, Ordering Paragraph 8) of the CPUC, D.09-06-050 and D.10-07-042.

The role of IEs in California IOU procurement processes has evolved over the past seventeen to eighteen years. In D.04-12-048 (December 16, 2004), the CPUC required the use of an IE by investor-owned utilities (IOUs) in resource solicitations where there is an affiliated bidder or bidders, or where the utility proposed to build a project or where a bidder proposed to sell a project or build a project under a turnkey contract that would ultimately be owned by a utility. The CPUC generally endorsed the guidelines issued by the Federal Energy Regulatory Commission ("FERC") for independent evaluation where an affiliate of the purchaser is a bidder in a competitive solicitation, but stated that the role of the IE would not be to make binding decisions on behalf of the utilities or administer the entire process[7]. Instead, the IE would be consulted by the IOU, along with the Procurement Review Group ("PRG") on the design, administration, and evaluation aspects of the Request for Proposals ("RFP"). The Decision identifies the technical expertise and experience of the IE with regard to industry contracts, quantitative evaluation methodologies, power market derivatives, and other aspects of power project development. From a process standpoint, the IOU could contract directly with the IE, in consultation with its PRG, but the IE would coordinate with the Energy Division.

In D.06-05-039 (May 25, 2006), the CPUC required each IOU to employ an IE regarding all RFPs issued pursuant to the RPS, regardless of whether there are any utility-owned or affiliate-owned projects under consideration. This was extended to any long-term contract for new generation in D.06-07-029 (July 21, 2006). In addition, the CPUC directed the IE for each RFP to provide separate reports (a preliminary report with the shortlist and final reports with IOU advice letters to approve contracts) on the entire bid, solicitation, evaluation and selection process, with the reports submitted to the utility, PRG, and CPUC and made available to the public (subject to confidential treatment of protected information). The IE would also make periodic presentations regarding its findings to the utility and the utility's PRG consistent with preserving the independence of

[7] Decision 04-12-048 at 129-37. The FERC guidelines are set forth in Ameren Energy Generating Company, 108 FERC ¶ 61,081 (June 29, 2004).

the IE by ensuring free and unfettered communication between the IE and the CPUC's Energy Division, and an open, fair, and transparent process that the PRG could confirm.

In 2007, the use of an IE was required for any competitive solicitation seeking products for a term of more than three months in D.07-12-052 (December 21, 2007). Also, the process for retaining IEs was modified substantially, with IOUs developing a pool of qualified IEs, subject to feedback and any recommendations from the IOU's PRG and the Energy Division, an internal review process for IE candidates, and final approval of IEs by the Energy Division.

In 2008, in D.08-11-008, the CPUC changed the minimum term requirement from three months to two years and reiterated that an IE must be utilized whenever an affiliate or utility bidder participates in the RFO, regardless of contract duration.

In D.09-06-050 issued on June 18, 2009 in Rulemaking 08-08-009, Order Instituting Rulemaking to Continue Implementation and Administration of California Renewable Portfolio Standard Program, the CPUC required that bilateral contracts should be reviewed according to the same processes and standards as contracts that come through a solicitation. This includes review by the utility's PRG and its IE, including a report filed by the IE.

In D.10-07-042 issued on July 29, 2010, the Commission reaffirmed the role of the IE and required the Energy Division to revise the IE Template to ensure that the IEs focus on their core responsibility of evaluating whether an IOU conducted a well-designed, fair, and transparent RFO for the purpose of obtaining the lowest market prices for ratepayers, taking into account many factors (e.g. project viability, transmission access, etc.).

This IE report is submitted in conformance with the above requirements.

2.2 DESCRIPTION OF KEY IE ROLES

In compliance with the above requirements, SCE selected Merrimack Energy to serve as IE for the 2022 Standard Offer Contract Pilot RFO in August 2022. SCE initially contacted Merrimack Energy in March 2021, shortly after Decision D.21-02-006 was issued to serve as IE for the three-year SOC Pilot. After there were no projects selected for the 2021 SOC Pilot solicitation, SCE re-initiated the process and engaged Merrimack in the solicitation planning process for the 2022 SOC Pilot RFO in August 2022.

The overall objective of the role of the IE is to ensure that the solicitation process is undertaken in a fair, consistent, unbiased, and objective manner and that the best resources are selected and acquired for the benefit of customers consistent with the solicitation requirements. This role generally involves a detailed review and assessment of the evaluation process and the results of the quantitative and qualitative analysis.

In addition to the requirements identified in CPUC Orders, the Scope of Work included in the Contract Work Authorization ("CWA") between Merrimack Energy and SCE clearly identifies the tasks to be performed by the IE. These include the following tasks:

- Advise on the consistency of solicitation activities with the CPUC's procurement-related rules and procedures and SCE's Commission-approved procurement authority;
- Assist in the development, design, and review of the Solicitation. Promptly submit any recommendations to SCE and/or CPUC, consistent with the objective of ensuring a competitive, open and transparent process, and to ensure that the overall scope of the solicitation process is not unnecessarily broad or too narrow;
- Monitor all communications and/or negotiations between SCE and counterparties, as required by the solicitation's objectives as outlined in the solicitation Protocol and approved by the CPUC;
- Provide recommendations and reports, if required by SCE and/or the CPUC, concerning the definition of products sought and price and non-price evaluation criteria; so that all aspects of the products are clearly understood, and all bidders may effectively respond to the solicitation, as applicable;
- Review the comprehensive quantitative and qualitative bid evaluation criteria and methodologies applied to any 2022 SOC Solicitation and assess whether these are applied to all bids in a fair and non-discriminatory manner. The Consultant will be provided access to SCE's personnel, modeling tools, and meeting documentation in order to credibly evaluate the bid evaluation and selection processes;
- Report on the outcome of a solicitation using the appropriate CPUC-approved Independent Evaluator Report Template, which may be amended from time to time, for inclusion in any Advice Letter, Application, and/or Quarterly Compliance Report filings;
- Monitor the solicitation, bilateral negotiation and/or contract amendment processes and promptly submit recommendations to SCE's management to ensure that no bidder has an information advantage and that all bidders or counterparties, if applicable, receive access to relevant communications in a non-discriminatory manner. This task may include

monitoring contract negotiations and/or keeping appraised of negotiation status and major issues;
- Provide presentations to SCE's management, the Procurement Review Group (PRG), and the CPUC Energy Division (ED), if requested, regarding the Consultant's findings or status. Communicate periodically with the Energy Division ("ED") as a check on the solicitation process;
- Provide a written assessment as to whether the solicitation process was open, transparent and fair, and whether any bidder received material information that gave them a competitive advantage or disadvantage relative to other bidders;
- Provide a final written assessment as to whether or not SCE's evaluation criteria and methodologies were reasonable and appropriate and were applied in a fair and non-discriminatory manner for all offers received;
- Prepare or assist in the preparation of direct and/or rebuttal testimony, and participate as a witness or in an advisory capacity during administrative hearings, as required, before the CPUC and/or FERC in any associated proceedings;
- Perform other duties as may be further defined in subsequent relevant regulatory proceedings or required by SCE's senior management.

the ALJ Ruling Modifying the Distribution Investment Deferral Framework Process issued on May 11, 2020, and modified June 12, 2020, detailed specific tasks to be included in the IE Scope of Work. Attachment C of the ruling described the IE Scope of Work. However, Decision D.21-02-006 did not identify any changes or additional requirements for the Independent Evaluator. Specifically, the Decision did not describe whether retaining an Independent Evaluator for the Standard Offer Contract Pilot would be required. Despite somewhat unclear guidance in this regard, SCE engaged with Merrimack shortly after the Decision's issuance prior to the TNPF drafting process. SCE sought guidance from the ED on requirements for the IE in the SOC Pilot and after receiving feedback, SCE re-engaged Merrimack in early August when the Pilot design process was being initiated.

2.3 DESCRIPTION OF IE OVERSIGHT ACTIVITIES

As noted, Merrimack Energy was retained as the IE by SCE in August 2022. In performing its oversight and evaluation role, the IE participated in and undertook a number of activities in connection with the solicitation process including reviewing the protocol documents, participating in evaluation methodology design, monitoring communications between SCE and the Participants, organizing and summarizing the offers received, participating in meetings with the

PRG, reviewing the evaluation results, participating in selection discussions, and development of the IE report.

This report provides an assessment and review of SCE's 2022 Distributed Energy Resources Standard Offer Contract RFO procurement process from development of the RFO through close of the RFO. The role of the IE is also discussed as it pertains to specific activities in Section 5 of this report.

3 DESCRIPTION OF OUTREACH ACITVITIES AND ROBUSTNESS OF SOLICITATION

3.1 DESCRIPTION OF IOU OUTREACH TO POTENTIAL BIDDERS

Outreach activities are important to the success of a competitive solicitation process. SCE's outreach efforts targeted a large number of potential Participants based on SCE's contact lists of energy companies and individuals. These efforts likely played a role in the reasonably robust response to the RFO in terms of number of Participants and specific offers or projects.

SCE maintains a detailed list of potential Participants with nearly 2,800 contacts that serves as the database for Seller contact and outreach. SCE sent emails to all potential Participants on this list informing them of the 2022 SOC process and the issuance of the RFO. The list includes Diverse Suppliers. SCE notified contacts on the mailing list of the issuance of the 2022 SOC and also provided several email notifications and updates to the email list during the solicitation process. With the RFO launch date on September 15, 2022 and offers being due on November 30, 2022. Participants had ample time to prepare offers.

SCE initiated a comprehensive process for communicating with bidders for the 2022 SOC process. SCE utilized the PowerAdvocate Platform as the means for Participants to submit their offers. In addition, SCE also established a section on its public website for distribution of information to prospective Participants and other interested parties early on to notify Participants of the RFO. The public website also included contact information for SCE should prospective Participants wish to ask any questions or request follow-up information.

The SCE public website for the 2022 SOC RFO contained general information to bidders to help bidders determine if they wanted to participate as a bidder in the process.[8] The following documents and information were included on the public website for Participant review and utilization:

- PowerAdvocate Supplier's Guide
- 2022 DIDF SOC Webinar Recording
- Contact Information for SCE

In PowerAdvocate, SCE attached the following documents for registered bidders to download:

[8] Participants would need to register with PowerAdvocate using the links included on the public website to gain access to the data room and applicable RFO documents and back-up information which would allow a participant to submit a bid into this solicitation.

- 2022 SOC RFO Instructions
- Developer Experience Attestation
- MUA Services Questionnaire
- Seller Proposal Letter Guidelines
- Voluntary Consent Interconnect
- 2022 DIDF & SOC RFO Bidder's Conference Deck
- Bidder's Conference Recording
- Non-Disclosure Agreement
- 2022 DER SOC RFO Offer Workbook
- SOC TNPF Base
    - IFOM Distributed Generation Attachment
    - IFOM Storage Attachment

SCE answered eight questions from bidder that were submitted via PowerAdvocate. The IE found the website easy to access and navigate. All documents associated with the 2022 SOC were uploaded to PowerAdvocate and were easy to identify, access, and download.

3.2 PRINCIPLES USED TO DETERMINE ADEQUATE ROBUSTNESS OF A SOLICITATION

With regard to assessing whether the response to the solicitation was adequately robust, there are several criteria to consider:

- Was the response to the solicitation commensurate with the level of outreach?

- Did the solicitation encourage a diverse response from Participants in terms of products requested, project structure, pricing options, etc.?

- Was the response large with respect to the number of proposals and megawatts ("MW") offered relative to the amount requested?

- Was the process a competitive process based on the amount of MW submitted by Bidders relative to the number of MW requested?

- Were the Solicitation Documents clear and concise such that Participants could clearly assess how to structure a competitive offer?

3.3 WAS THE OUTREACH ADEQUATE?

There are several criteria generally applied for assessing the performance of the utility in its outreach and marketing activities:

- Did the utility contact a large number of prospective Participants?
- Were the utility's outreach efforts active or passive?
- Did the utility adequately market the solicitation?
- Could prospective bidders easily access information about the RFP?
- Did any prospective bidders complain about the process or access to information?

As noted above, SCE contacted a large number of prospective Participants to inform them of the issuance of the RFO. The outreach activities of SCE can be classified as "active" given that emails about the solicitation process were directly sent to prospective Participants. In addition, SCE held a Bidder's Conference to provide information on the solicitation process, and to allow the Participants to ask questions and seek information about the solicitation process. The IE feels that all potential Participants were able to easily access solicitation materials and communicate directly with the SCE Origination team to answer any questions.

3.4 WAS THE SOLICITATION ROBUST?

The overall result of this outreach activity was a very limited response to the RFO from the market. Despite the solicitation schedule allowing ample time to develop offers from the launch date to the offer submission deadline, the solicitation was not a competitive one.

SCE received a total of two (2) offers from one counterparty. Based on the number of offers submitted, the IE found the response from the market to be minimal and not competitive as a result. However, as described later in this report, the offers submitted were initially viable due to the maturity of the technology, overall effectiveness and ability to satisfy needs of the project.

3.5 WAS THE OUTREACH SUFFICIENT AND MATERIALS CLEAR SUCH THAT BIDS MET THE NEEDS OF THE SOLICITATION

SCE prepared initial versions of the Protocol Document and Offer Forms and issued the documents in an expedited manner to solicit interest from bidders. The IE reviewed the documents to ensure the documents were clear and concise.

The IE also found that SCE's project team was generally responsive to the needs of and comments provided by prospective Participants and also responded to questions in a reasonable timeframe.

The single Participant provided complete proposals with a minimal amount of clarifying questions or information requirements after submission. As described later in this report, shortly after the original bid submission, the project needs increased, so the bidder was given the opportunity to resubmit their proposal.

4 DESCRIPTION OF BID EVALUATION AND SELECTION METHODOLOGY

4.1 IDENTIFICATION OF PRINCIPLES FOR EVALUATING BID EVALUATION METHODOLOGY

This section of the report addresses the principles and framework underlying the IE's review of SCE's evaluation and selection methodology for the 2022 SOC solicitation process. One of the important questions in this regard is whether the bid evaluation and selection methodology was fair and appropriate for this type of solicitation. Key areas of inquiry by the IE and the underlying principles used by the IE to evaluate the methodology include the following:

- Were the procurement needs, products solicited, principles and objectives clearly defined in SCE's 2022 SOC Solicitation Protocol and other materials?
- Is the IOU bid evaluation based on those criteria specified in the bid documents? In cases where bid evaluation goes beyond the criteria specified in the bid documents, the IE should note the criteria and comment on the evaluation process.
- Do the IOU bid documents clearly define the type and characteristics of products desired and what information the bidder should provide to ensure that the utility can conduct its evaluation?
- Does the methodology identify how qualitative and quantitative measures were considered and were consistent with an overall metric?
- Are there differences in the evaluation method for different technologies that cannot be explained in a technology-neutral manner?
- Was the bid evaluation and selection process and criteria reasonably transparent such that Participants would have a reasonable indication as to how they would be evaluated and selected?
- Was the bid evaluation methodology consistent with CPUC direction?
- Was SCE's bid evaluation based on and consistent with the information requested in the RFO to be submitted by Participants in their proposal documents?

- Were the bid evaluation criteria consistently applied to all offers?

- Does the quantitative evaluation methodology allow for consistent evaluation of bids of different sizes and in-service dates? Are there differences in the evaluation method for different technologies that cannot be explained in a technology-neutral manner?

- Did the bid evaluation criteria and evaluation process contain any undue or unreasonable bias that might influence project ranking and selection results or in any way favor affiliate bids?

- Was the 2022 SOC RFO clear and concise to ensure that the information required by SCE to conduct its evaluation was provided by project sponsors?

- Did the IOU bid evaluation criteria change after the bids were received? Explain the rationale for the changes.

In the view of the IE, the 2022 SOC RFO Instructions and related solicitation documents provide an ample amount of information on which Participants could develop their bid packages. The documents contain detailed information on the products sought, the information required of Participants for offer submission, contract provisions, proposal documents and offer forms, and information about each of the distribution deferral projects at which SCE sought offers.

SCE held a Bidder's Conference on September 30, 2022 to further describe the solicitation process, including the evaluation methodology. Overall, the IE concludes that the products solicited, procurement needs, protocol information and documents required to be provided with the offer were clearly defined and applied. SCE also involved the IE in internal discussions on the development of the evaluation methodology based on the CPUC's Decision. The IE commented on evaluation protocol documents for quantitative and qualitative factors prior to receipt of Offers. In particular, SCE's quantitative evaluation team prepared PowerPoint presentations and held three meetings with the IE prior to receipt of offers to lock-down the evaluation methodology, input assumptions, and evaluation criteria.

To address the other issues identified, the IE will first present a detailed description of the bid evaluation methodology and process implemented by SCE to undertake the evaluation. This includes both the quantitative and qualitative criteria used in the evaluation. Subsequently, the IE then discusses the strengths and weaknesses of the methodology relative to the issues identified above.

4.2 OVERVIEW OF SCE'S LEAST COST BEST FIT EVALUATION METHODOLOGY

This section of the report provides an overall description of SCE's bid evaluation methodology, procedures, and criteria applicable to the 2022 SOC process. The methodology selected is designed to generally conform to the Least Cost Best Fit ("LCBF") procedures applied in other solicitations. For this report, the IE is providing a general summary of the overall methodology and criteria used in the evaluation in this section of the report.

In the evaluation process, SCE initially conducts a screening of offers relative to eligibility requirements of the RFO and determines any missing information or clarification questions for Participants. SCE will screen offers on a "pass-fail" basis against the eligibility criteria and requirements as described in the RFO Instructions. SCE then conducts a feasibility screening for offers based on the capacity and energy submitted for each project and circuit to determine if the project needs could be met by the existing offers. The purpose of the feasibility screening is to determine if any single offer or a portfolio of combined offers could meet the project deferral needs.

4.2.1 Qualitative Factors

The solicitation protocol for the 2022 SOC RFO bid evaluation procedure and methodology states that SCE will evaluate each offer using both quantitative and qualitative criteria, which includes but is not limited to: Net Market Value and Project Viability. The evaluation procedure protocol describes how to combine the criteria to determine the ranking and the shortlist.

The following describes the general evaluation process flow envisioned by SCE for undertaking the evaluation process once the Evaluation Team commenced formal reviews[9]:

- All offers will be reviewed to determine whether or not they meet the applicable eligibility requirements for consideration in the RFO. SCE will screen Offers on a "pass-fail" basis against those criteria and requirements;

[9] SCE's Evaluation Teams reviewed the offers when received to ensure the Participant provided the requested information and to identify any inconsistencies in the offer forms and other offer information. In addition, the Evaluation Team also identified any situation where the data submitted appeared inconsistent or where further clarification of the information was required. SCE would contact the Participant to seek to clarify or correct the data prior to conducting the offer evaluation process.

- SCE will perform an initial review of offers for completeness and conformity. The initial screen review includes criteria such as conforming location, minimum project size, and the submittal package requirements. SCE will conduct a complete and conforming process to allow for bidders to clarify and cure any offer details or deficiencies. SCE will work directly with the Offerors to resolve these issues and ensure the offers are ready for evaluation;

- Offers will be reviewed by the Solicitation Team for an assessment of Project Viability. The review may consist of, but will not be limited to the following factors:
    - Counterparty Experience and O&M experience
    - Commercially proven technology
    - Project viability
    - Interconnection viability
    - Voltage and other power quality services
    - Permitting and interconnection
    - Pre-Development and Development Milestones
    - Modifications to PSA
    - Contributions towards other SCE procurement targets
    - Congestion, negative price, and curtailment considerations not captured in the quantitative valuation
    - Portfolio fit of energy, capacity, deliverability, and contract term
    - Offeror concentration
    - DER deferral solution viability
    - Technology concentration
    - Dispatchability, including ability to be curtailed
    - Others

After the Complete & Conforming process is completed, a Net Present Cost assessment will be performed on all conforming and eligible offers. Valuations will be updated when new information is received from Participants. Once SCE performs the quantitative NPC analysis, SCE will consider each Offer's nonquantifiable characteristics by considering the qualitative project viability attributes. Both the quantitative and qualitative components are considered when determining which Offers to select.

4.2.2 Quantitative Factors

From a quantitative perspective, Net Present Value will be measured in present value $/MWh and ranked from highest to lowest. The NPV results will then be

compared to the deferral value of the traditional upgrade to determine if any offers are of higher value than the traditional deferral upgrade.

The following describes the general evaluation process flow envisioned by SCE for undertaking the evaluation process once the Evaluation Team commenced formal reviews:

- All offers will be reviewed to determine whether or not they meet the applicable eligibility requirements for consideration in the RFO. SCE will screen Offers on a "pass-fail" basis against those criteria and requirements;

- SCE will perform an initial review of offers for completeness and conformity. The initial screen review includes criteria such as conforming location, minimum project size, and the submittal package requirements. SCE will conduct a complete and conforming process to allow for bidders to clarify and cure any offer details or deficiencies. SCE will work directly with the Offerors to resolve these issues and ensure the offers are ready for evaluation;

After the Complete & Conforming process is completed, a Net Present Value assessment will be performed on all conforming and eligible offers for which locations that the entire deferral needs have been met (through either a single offer or portfolio of offers). Valuations will be updated when new information is received from Participants.

Once the evaluation is completed to produce a rank order for each prescreened deferral project, SCE will use the Selection tool to create a shortlist by taking into consideration:

- Substation/Circuit Need
- Deferral viability
- Counterparty diversity
- Technology potential
- NPV & Cost
- Deferral solution buffer
- Negotiation/Project failure procurement buffer

After selection, the following additional criteria will be considered before executing an agreement:

- Net Present Value (to account for changes in value which might occur during negotiations)
- Project Viability
- Credit

- Contract Modifications
- Safety
- Contract term and Commercial Operation Date

4.3 DETAILED DESCRIPTION OF THE EVALUATION PROCESS

The following section of the report provides a more in-depth discussion of the components of the quantitative evaluation methodology and process used by SCE and describes in general how the various offers were evaluated. In addition, this section includes a description of the input assumptions utilized for evaluation purposes.

4.3.1 Valuation Net Present Cost Overview

SCE's evaluation protocol specifies how the Valuation criterion will be applied to the individual offers received in the 2022 SOC RFO.

In the solicitation process, a Participant submits an offer detailing the costs and operational characteristics of the energy generation facility. Given the expected commercial operation dates for each deferral project, SCE expected that all offers will be under construction or complete, and that no incremental transmission costs will be incurred. If any offer does require incremental transmission costs borne by SCE customers, those costs will be included in the valuation, in an analogous fashion to other solicitations.

The NPC of each offer will be calculated as the present value of the Distributed Energy Resource costs. The offer costs are calculated directly within the Offer Form, so bidders have immediate insight into their cost competitiveness relative to the deferral project. The costs include the contract payments based on the offer's capacity and/or energy price and debt equivalence as SCE's cost of contract commitments on their balance sheet. SCE will create a portfolio of one or more offers that can solve the deferral project needs for capacity and energy. SCE will determine the most cost-effective portfolio that meets the project's needs and will sum the offers' NPCs plus the pre-determined administration costs. If the portfolio of offers have a total cost (NPC plus administrative costs) less than or equal to the deferral value, the portfolio could be selected.

In order to determine whether an offer or a portfolio of offers would meet the deferral project's needs, SCE will calculate a "Contribution Percentage" for each offer. The Contribution Percentage is calculated annually and will be the minimum deferral contribution in all hours of all months (if an offer is not online by June 1 of each year, it will contribute 0%). The energy delivery from each project

can be subject to several different limiting factors, including the project capacity, interconnection limits, or the distributed generation solar profile. The Contribution Percentages are calculated within the Offer Workbook and are visible for the bidders to see when including the details of their offer.

SCE would conduct the selection process in the following steps:

- 100% Optimization - Perform a cost minimization optimization such that the DER contribution meets or exceeds the project need for all years utilizing the unit characteristics submitted or contribution percentages calculated in offer workbooks while being cost effective.
- 90% Optimization - If a 100% solution is not achievable, perform a cost minimization optimization that meets or exceeds 90% of project needs for all years.
- Qualitative Assessment - Determine if any offers pose challenges that could be remedied with other offers or if selected offer pose risks to deferral viability.
- Re-Run Optimization – If at least 90% of project need is not cost effectively met in steps 1-3, re-run selection for one less year (e.g. 2024-2029 after 2024-2030).

Each component will be calculated in discounted dollars. The final NPC will then be expressed in terms of dollars to be compared to the Deferral Value of the traditional mitigation costs. The present values are calculated by discounting the nominal amounts [redacted]

4.3.2 Valuation Summary By Resource Type

SCE prepared its evaluation methodologies to be consistent with the products and contract types requested. There are two resource types which bidders may offer:

- IFOM Energy Storage
- IFOM Distributed Generation

Both resources are intended to follow the same valuation process.

4.3.3 Valuation Components

Portfolio – Deferral Value

- The capital expenditure estimates of the traditional distribution upgrades are converted into deferral value using a real economic carrying charge method. This methodology is consistent with the approach used for

converting capital investments into annual costs for Generic Rate Case. The Deferral Value is calculated for a period of one year to the maximum number of distribution planning years. If the power and energy needs are fully met for a deferral project, the deferral value will be attributed to a portfolio of offers.

Portfolio – Administrative Costs

- The costs associated administering the SOC RFO. These costs are estimated and applied to each offer or a portfolio of offers.

Offer – Cost Components

- **Energy Costs –** For renewable resources, energy costs include the variable costs for the delivery of energy during the deferral needs.
- **Capacity Payments -** Capacity payments represent the total fixed contract payments SCE is expected to make under the contract for delivery of resource benefits.
- **Debt Equivalence:** Debt equivalence is the term used by credit rating agencies to describe the fixed financial obligation resulting from long-term purchased power contracts. Pursuant to D.04-12-048, the Commission allows Investor-Owned Utilities ("IOUs") to recognize costs associated with the effect debt equivalence has on the utilities' credit quality and cost of borrowing in their valuation process. D.08-11-008 was issued in November 2008 and, authorized the IOUs to continue recognizing the balance sheet impact of debt equivalence when valuing power purchase agreements. Given the confirmation of the use of debt equivalence for valuation purposes, SCE considers debt equivalence in its valuation process.

The DER SOC solicitation will only be procuring deferral benefits. The SOC will not procure RA or Energy attributes and will not have benefits attributed to individual offers. Offer costs will be estimated utilizing the Offeror's unit characteristics and price inputs. Valuation assumptions are subject to change based on, but not limited to, updated information relating to any regulatory and market design decisions and/or proceedings. See Table 7 below for a summary of quantitative Valuation Components considered:

Table 7: Evaluation Components

	Component	IFOM – Energy Storage	IFOM – Distributed Generation
Offer	Energy Cost	No	Yes
	Capacity Cost	Yes	No
	Debt Equivalence	Yes	Yes
Portfolio	Cost: Administrative Cost		

	Benefit: Deferral Value

4.3.4 Input Assumptions

An important aspect of the offer evaluation process is the development of input assumptions to use in the evaluation of the Participant's pricing formulas and other evaluation parameters. Since SCE is only procuring the distribution services from the project and not Resource Adequacy, Energy, or Ancillary Services, the forecasted price curves for those attributes are not needed. Instead, the SOC RFO simply compares the project NPC to the deferral value of the traditional upgrade, inclusive of estimated administrative costs.

4.3.5 Qualitative Factors

In addition to the quantitative factors previously discussed, PG&E proposed to evaluate qualitative attributes in addition to the quantitative assessment when considering selections. The qualitative attributes being considered, as listed in the SOC RFO Instructions:

- Project Viability – project viability assessment includes developer experience, O&M experience, commercially-proven technology, reasonableness of delivery date, and interconnection progress.
- Ability to meet project need
    - Interconnection viability
        - Voltage & other power quality services
    - Permitting and interconnection
    - Pre-development milestones
    - Project financing status
    - Project development experience
- Development milestones
    - Site control
    - Large equipment status
    - Reasonableness of commercial operation date
- Proposed modifications to PSA
- Portfolio fit of energy, capacity, deliverability, and contract term
- Offeror concentration
- Technology concentration
- Dispatchability and curtailability

4.4 REVISIONS TO BID EVALUATION CRITERIA

The CPUC IE Report Template requests the IE to address whether the bid evaluation criteria changed after the bids were received and to explain the

rationale for the changes. In general, SCE maintained a similar methodology as described in the 2022 DIDF RFO Instructions; however, since SCE is only procuring the deferral benefits, the components included in the evaluation were significantly reduced.[10] Therefore, the evaluation process was much more simplified compared to the DIDF solicitations. In addition, SCE updated its Offer Form to include the calculations that compare the offer's cost components to the deferral project's cost cap. The IE found that SCE maintained a consistent evaluation methodology based on the details described in the RFO Instructions and discussed during Evaluation meetings.

While the evaluation methodology did not change, as described later in this report, the project's deferral needs were increased, which lead to the quantitative evaluation results being altered.

4.5 EVALUATION OF STRENGTHS AND WEAKNESSES OF SCE'S METHODOLOGY

SCE has implemented a methodology for evaluating the eligible offers received in response to the 2022 SOC RFO that includes a combination of existing methodologies used in previous solicitations as well as revisions to traditional methodologies to address the requirements of this solicitation.

4.5.1 Strengths Of Evaluation and Ranking Methodology

The following represents the IE's perspective regarding the strengths associated with the evaluation and ranking methodology implemented by SCE for the 2022 SOC RFO which is seeking to defer the traditional distribution upgrades. These include:

- The methodology used by SCE takes into consideration all reasonable costs associated with the two types of resources. The IE does not view the methodology as having a direct bias toward any product solicited in this RFO with respect to contract structure;

- SCE included a lengthy Complete and Conforming process in the RFO process that allowed the SCE evaluation team to fully review and assess the offer submitted and to ask relevant questions so that the offer could be appropriately evaluated As described later in the report, the RFO

[10] On the Benefits side, SCE did not include benefits for energy and ancillary services and resource adequacy capacity. On the costs side, SCE removed transmission & network upgrade costs, renewable integration costs, demand charge rates, charging constraints, and multi-use application considerations.

scheduled was extended twice to accommodate for the Complete & Conforming considerations.;

- SCE's proposed methodology is generally consistent with Least Cost Best Fit principles by incorporating quantitative and qualitative factors to determine a shortlist of projects;

- SCE developed a straight-forward Offer Form that was very transparent and included detailed calculations so that Participants could compare the project costs to the deferral costs;

- SCE included stated preferences in the RFO Instructions, which provides important direction to participants on how to best structure their offers;

- All of the key inputs and assumptions were locked down prior to receipt of offers, which serves to minimize any potential evaluation bias.

4.5.2 Weaknesses Of Evaluation and Ranking Methodology

One of the intentions of designing the SOC Pilot was to simplify the entire process, including the evaluation approach, where bidders submit a simple, fixed price that can be compared to the cost cap. Based on the simplicity of the evaluation methodology, Merrimack Energy did not identify any significant weaknesses in the evaluation methodology. The only recommendation for improvements to the evaluation process is that SCE may consider undertaking and documenting a formal qualitative assessment during the evaluation process. The qualitative attributes to be considered are outlined in the RFO Instructions; however, it's not clear that SCE actually performed a qualitative assessment of the offers submitted.

5 ADMINISTRATION OF THE SOC RFO SOLICITATION PROCESS

In performing its oversight role, the IE participated in and undertook a number of activities in connection with the 2022 SOC including reviewing the RFO documents, participating in frequent conference calls with the SCE project teams, participating in the Bidder's Conference, participating in discussions on the offer evaluation methodology and selection process, organizing and summarizing the offers received, reviewing and commenting on the evaluation and selection process, and participating in calls with bidders throughout the process.

A list of the key milestone events which occurred during the solicitation process as well as the activities of the IE during the procurement process consistent with the important activities and milestones for the process are described below.

5.1 LAUNCH OF 2022 SOC RFO

SCE launched its 2022 SOC on September 15, 2022. SCE announced issuance of the RFO via an email blast to its contact list. The email distributed identified the web address for SCE's website[11] for the RFO and also provided information on the basis for and requirements of the RFO, schedule for the upcoming Bidder's Conference on September 30, 2022, and deadline for Participants to submit offers on November 30, 2022.

The Solicitation Instructions provided an overview of the RFO including the solicitation goals, project types/agreements, eligibility requirements, and submission requirements. The RFO documents also contained the Offer Workbook that needed to be submitted with each proposal.

SCE used two websites for the RFO. SCE maintained a webpage on its website devoted to the SOC. The website contained information to assist bidders on the front-end of the solicitation process including the schedule and details on how to register in PowerAdvocate. SCE also utilized the PowerAdvocate Platform, which was used as a repository for the solicitation documents and bidders to submit their proposals.

5.2 RFO INSTRUCTIONS AND DOCUMENTS ISSUED

[11] The website address for the solicitation is www.sce.com/procurement/solicitations/dersoc

SCE distributed RFO Instructions and related documents to market participants via email on September 15, 2022. The 2022 SOC RFO included the following documents:

- 2022 SOC RFO Instructions, including provisions of the PSA
- Attachment A-1 & A-2; Product Description and Requirements
- Attachment B; Offer Support Documents
- Attachment C; Distribution Deferral Need
- Attachment D; Incrementality Matrix

SCE utilized the PowerAdvocate® platform for solicitation-related communication, bid submissions, and document hosting. SCE required that Participants register for the bid event on the PowerAdvocate® platform where SCE also uploaded all of the solicitation documents.

Eligible technologies and solicitation schedule were also provided RFO instructions.

The Solicitation Protocol provided an overview of the RFO including the solicitation goals, project types/agreements, eligibility requirements, and submission requirements. The RFO also contained several appendices, several of which Participants had to submit as part of their proposal.

5.3 BIDDER'S CONFERENCE

SCE held its Bidder's Conference on September 30, 2022. The IE called into and monitored the Webinar. Topics addressed at the Webinar included:

- Overview of the RFO
- Products & Eligibility
- Project Locations and Needs Assessment
    - Alessandro Project
- Distribution Resources Plan External Portal ("DRPEP")
    - Integration Capacity Analysis
- Interconnection Process
    - By substation and circuit
- Customer Composition
- Incrementality
    - Category definitions
- Offer Valuation and Selection
- Final Q&A Session

A total of 20 individuals attended the Bidder's Conference.

5.4 QUESTIONS AND ANSWERS

While SCE responded to eight questions submitted to PowerAdvocate by individual potential participants, SCE did not compile a separate Frequently Asked Questions document on the webpage that included all questions submitted by participants.

5.5 REVIEW OF EVALUATION PROTOCOLS

The IE had the opportunity to review and comment on an early version of the RFO protocol document prior to initiation of the RFO. In addition, SCE held multiple meetings with the IE to discuss the RFO design and bid evaluation methodology. SCE scheduled meetings throughout August and September to discuss the bid evaluation methodology and input assumptions along with the basis for the evaluation methodology given the products requested. SCE described each of the evaluation components in detail as described in the previous section in order to offer the IE the opportunity to ask questions about each component. SCE was able to clarify any questions about the evaluation process prior to receipt of offers.

5.6 RECEIPT OF OFFERS

The deadline for SCE to receive offers was November 30, 2022. Participants were required to submit all required forms and documents to the PowerAdvocate platform. Due to a number of questions being submitted by bidders that required a response by internal subject matter experts who were out of the office during holidays, SCE extended the offer submission period by one week so that offers were due on December 7, 2022. Upon receipt of offers on PowerAdvocate, the IE reviewed the offers and prepared a summary table which contained pricing, project details, operational information, estimated def erral contributions, and other pertinent information associated with each offer. SCE initially received-

[redacted]

The IE and SCE team also reviewed the offers for conformance with eligibility requirements and completeness.

The Offer Form contains the calculations to determine if the offer meets the project needs and if the pro·ect costs are below the deferral project cost cap. As the Offer Form calculated, [redacted] Table 8 details the estimated deferral contribution percentage for each delivery year for both offers:

Table 8: Deferral Contribution Percenta e rior to need Update)

Year	Contribution Percentage
2025	[redacted]
2026	
2027	
2028	
2029	
2030	
2031	

The initial check was to ensure that the project, or portfolio of projects, met the deferral needs. From there, the Offer Form also calculates the total expected payments based on the capacity price input. Table 9, below, providesa detailed summary of the offer submitted, including the project costs' percentage of the cost cap:

Table 9: -Offer Summary

	[redacted]	[redacted]
Bidder		
Pro·ect Name		
Technolo		
Substation		
Circuit		
Delivery Start Date		
Delivery End Date		
Contracted Capacity (MW		
Contracted Energy (MWh)		
Minimum Guaranteed Efficiency Factor		
Capacity Price ($/kW-mo)		
Total Expected Payments ($		
Percentage of Cost Cap (%)		

As calculated in the Offer Form, [redacted]

5.7 COMPLETE & CONFORMING PROCESS

Upon receipt of the offer, the 2022 SCE SOC initiated the Complete and Conforming process to review the offer submitted, identify any missing information from the offer, determine errors in the submission, ensure the offer meets the solicitation's eligibility requirements, and seek clarification regarding information included in the offers. The initial round of communications to conform offer requirements took place within a week of initial offer submission. The goal of the

complete and conforming process was to ensure that SCE obtained all relevant project information and clarify offer details to ensure that all offers could be evaluated and that offer specifics were conforming to the eligibility requirements of the solicitation.

5.8 PROJECT NEEDS UPDATE

During SCE's DPP, updates made to SCE's planning software resulted in incorrect correlation of historical weather data to the circuits and substations in SCE's service area, which produced an incorrect forecast. As a result, on July 29, 2022, SCE filed a motion seeking approval for extension of its 2022 GNA report an DDOR. On August 30, 2022, the ALJs partially approved SCE's motion. SCE filed its partial DDOR on September 2, 2022 and planned to file a complete GNA/DDOR on January 13, 2023. While the partially filed GNA/DDOR would identify potential solicitation candidates, there was a chance that the file GNA/DDOR would show a new prioritization of deferral candidates or updated needs for specific projects.

On December 9, 2022, SCE held a meeting with the IE to discuss the offer submissions for both the SOC and DIDF Offer submittals. During this meeting, it was disclosed that an increase in the need for the Alessandro Project had been discovered, including capacity and energy. Table 10 below summarizes the updated needs.

Table 10: Updated Deferral Need, Alessandro 115/33kV Substation

Year	Capacity (MW)	Energy Need (MWh)	Season	Monthly Frequency	Yearly Frequency
2022	0.0	0.0		0	0
2023	0.0	0.0		0	0
2024	0.6	0.6	Summer	5	15
2025	1.2	2.0	Summer	5	15
2026	1.1	2.1	Summer	5	15
2027	1.8	3.1	Summer	5	15
2028	2.0	4.9	Summer	5	15
2029	1.8	4.2	Summer	6	15
2030	1.6	3.0	Summer	6	15
2031	1.3	2.7	Summer	5	15

As shown in the following table 11, the needs increased for both energy and capacity; however, the total deferral value did not change.

Table 11: Deferral Project Details

Project Name	Total Deferral Value	Max. Capacity Need Through 2031 (MW)	Max. Energy Need Through 2031 (MWh)	Need year
Alessandro	$1,068,553	1.3	**2.2**	2025
Alessandro (Updated)	$1,068,553	2.0	**4.9**	2025

While the revised needs resulted in a 54% increase in capacity and 123% increase in energy, the deferral value did not change. [redacted] requesting a meeting in order to address the updated need and details of their offer submitted.

[redacted]

5.9 REVISED OFFER SUBMISSION

[redacted] as illustrated in Table 12.

Table 12: Deferral Contribution Percentage

Year	Contribution Percentage
2025	[redacted]
2026	
2027	
2028	
2029	
2030	
2031	

The operational, technical, and pricing characteristics of the offer provided in Table 13.

Table 13: [redacted] Offer Summary [redacted]

Bidder	[redacted]	
Project Name	[redacted]	[redacted]
Technology		
Substation		
Circuit		
Delivery Start Date		
Delivery End Date		

Minimum Guaranteed Efficiency Factor	[redacted]	[redacted]
Capacity Price ($/kW-mo)		
Total Expected Payments ($)		
Percentage of Cost Cap (%)		

Due to the increased size requirements, as well as the increased pricing, the total notional costs of the project increased significantly. [redacted]

5.10 RECOMMENDED SHORTLIST SELECTION MEETING

On December 4, 2023 SCE held a meeting with the IE to review the updated SOC offer and discuss project selection for both the SOC and DIDFRFOs. SCEdiscussed the [redacted] Table 14 provides details on the project costsrelative to the deferral value of the project.

Table 14: Cost Effectiveness of [redacted] Offers

Deferral Value	Admin Cost	Effective Cost Cap	Total Expected Payments	PV of Expected Payments	Project NPV	Percent of Cost Cap
$1,068,553	[redacted]					

There was extensive discussion about the project selection. [redacted] As a result, SCE decided to not select the project.

5.11 COST ALLOCATION MECHANISM {"CAM") GROUP MEETING

On February 8, 2023, SCEgave a presentation to the CAM Group for consultation on the recommended selection to not shortlist any offers due to insufficient cost-effectiveness. SCE provided the following bullet pointsin the executive summary:

- The original capacity and energy volumes required to meet the original 2022 projects needs increased, although the deferral values and scope did not change.
  - Original deferral project Alessandro Substation need - 1.3 MW capacity/2.2 MWh energy
  - Updated deferral project Alessandro Substation need - 2.0 MW capacity/4.9 MWh energy
- On September 15, 2022 SCE launched the second annual SOC Pilot solicitation and [redacted]
- The Alessandro Substation need changed after close of bid window, so SCE went back to [redacted]
- [redacted]

5.12 NOTIFICATION OF BIDDER(S)

SCE notified the bidder of non-selection on February 10, 2023 through email directly as well as in PowerAdvocate. As a result, the 2022 SOC Pilot was subsequently closed out.

6 FAIRNESS OF SOLICITATION PROCESS

6.1 PRINCIPLES AND GUIDELINES USED TO DETERMINE FAIRNESS

In evaluating SCE's performance in implementing the 2022 SOC RFO solicitation process, the IE has applied a number of principles and factors, which incorporate those suggested by the Commission's Energy Division in previous Templates as well as additional principles that the IE has used in its oversight of other competitive bidding processes. These include:

- What qualitative and quantitative factors were used to evaluate offers?
- If applicable, were affiliate offers treated the same as non-affiliate offers?
- Were economic evaluations consistent across offers?
- Was there a reasonable justification for any fixed parameters that enter into the methodology?
- Were all Participants treated the same regardless of the identity of the Participants?
- Were Participants questions answered fairly and consistently and the answers made available to all?
- Did the utility ask for "clarifications" from Participants, and what was the effect, if any, of these clarifications?

As described in detail in the previous sections of this report, SCE evaluated the offer received based on both quantitative and qualitative factors. Given that the deferral percentage contributions and project cost relative to the deferral project cost cap are calculated within the offer form, the quantitative evaluation is generally straight forward.

As previously noted, SCE used reasonable methodologies for assessing any offer received. The development of the Offer Form allowed for a very transparent evaluation methodology that aligns with the requirements outlined in the Decision. SCE worked actively with [redacted] during the Complete and Conforming process so that offer the offer could be appropriately evaluated. [redacted] there was no concern about all offers being treated consistently with regards to the quantitative and qualitative evaluation.

SCE's project team was very actively engaged in the process from the very beginning. This included responding to bidder questions and seeking clarification from Participants when required. With regard to Bidder questions, SCE both responded to questions from Participants about the solicitation process. The IE was copied on all Questions and Responses to Participants. We found no cases where SCE favored a specific Participant over another. SCE responded consistently to all Participants throughout the process.

6.2 IE METHODOLOGY USED TO EVALUATE ADMINISTRATION OF PROCESS

As previously discussed, the IE was actively involved in all phases of the process. The IE was copied on all emails exchanged between SCE and Participants. The IE was also invited to and attended most of the calls with Participants wherein SCE sought to clarify any uncertainties about the offers or inconsistencies associated with submission of offer information.

The IE also compiled a summary of the offers and was fully engaged in the process throughout the solicitation. In addition, the IE and SCE evaluation and transaction teams held several conference calls to discuss the progress of the solicitation and any issues that arose during the process.

With regard to the quantitative evaluation, the IE held discussions with the quantitative evaluation team to discuss the bid evaluation methodology prior to submission of bids to ensure the IE had a strong understanding of the evaluation methodology and presentation of evaluation results.

Based on the IE's active involvement throughout the solicitation process, the IE concluded that SCE reasonably followed the criteria outlined in the 2022 SOC RFO.

6.3 TREATMENT OF OFFERS IN COMPLETE & CONFORMING PROCESS

After the offers were received, the initial task undertaken by SCE's project team was to review the offers to assess if the offers conformed to the eligibility provisions listed in the Protocol. [redacted] there were no inherent unfairness issues between bidders regarding the Complete & Conforming process. After completion of the process, [redacted] was deemed to be ineligible due to the technology maturity and scalability.

When the Alessandro project needs were updated, SCE contacted the bidder, discussed the needs update, reviewed project details, and allowed the bidder to

resubmit revised offers. SCE and the bidder discussed possible project reconfigurations to optimize the project costs relative to the new deferral needs. SCE allowed the bidder ample time to submit the revised offer

6.4 CONCLUSIONS REGARDING ADMINISTRATION OF BID EVALUATION PROCESS

The IE has concluded that the bid evaluation process was fairly administered and conducted consistent with the RFO Instructions. The IE felt that SCE's project team performed their function in communicating with Participants throughout the process in an exemplary manner, including responses to Participant questions prior to offer submission to assist Participants with questions about submission requirements, follow-up communications with Participants to clarify offer forms and information about the offer after submission, and with regard to follow-up conference calls with Participants to clarify offer information. SCE generally provided thorough and informative responses to Participant questions and did so in a timely manner.

The IE felt that SCE's evaluation methodology was effective in evaluating the potential products eligible for the solicitation and agreement structure in a consistent, fair, and transparent manner. In fact, the Offer Form performed all necessary calculations so that the bidder could see if their project offering would meet the entire deferral project's needs while remaining under the cost cap. This functionality offers tremendous transparency into the evaluation of an offer.

7 DOES THE CONTRACT MERIT CPUC APPROVAL

Since no projects were selected, no contract negotiations took place.

8 TREATMENT OF AFFILIATE BIDS AND UOG PROPOSALS

No affiliate bids for Utility-Owned Generation ("UOG") bids were submitted in the 2022 SOC Pilot RFO. While the ALJ Ruling Modifying the Distribution Investment

Deferral Framework Process issued on May 11, 2020, and modified June 12, 2020 included a reform to encourage bids for all forms of resource ownership in the RFO and to allow for bid participation and evaluation without any bias towards a specific ownership model, Decision D.21-02-006 did not explicitly describe requirements for acceptance of UOG offers. As such, SCE did not contemplate UOG options for this solicitation and only solicited third party ownership offers. Therefore, standard safeguards to ensure a fair evaluation process across different ownership options were not necessary.

9 WAS THE RFO ACCEPTABLE?

1. Overall was the RFO conducted in a fair and competitive process, free of real or perceived conflict of interest?

2. Based on the complete bid process, should some component(s) be changed to ensure future RFOs are fairer or provide a more efficient, lower cost option?
3. Any other relevant information

The IE concludes that SCE has implemented the 2022 SOC RFO in a fair and consistent manner, marked by an overall objective to maintain a reasonably transparent and competitive solicitation process designed to be inclusive for all Participants. SCE worked closely with the Participant to ensure they fully understood the requirements of the process and were able to submit all the necessary information to allow for a thorough and consistent evaluation process given the short time available to conduct the solicitation.

As noted in this report, SCE's outreach activities were designed to encourage a wide range of participants. However, the process resulted in a very minimal response and therefore was not a competitive process.

The IE generally agreed with SCE's approach to end the solicitation with no projects selected.

10 CONCLUSIONS AND RECOMMENDATIONS OF SOC PILOT

10.1 CONCLUSIONS AND OBSERVATIONS

Merrimack Energy has the following conclusions and observations regarding the 2022 SOC solicitation process based on its role of IE in this process:

1. SCE generally implemented the 2022 SOC RFO solicitation process consistent with CPUC Decision D.21-02-006, which requires SCE to design and implement the Standard Offer Contract pilot as a second framework for distributed energy resource solicitations with the intention of reducing transactional costs and risks present in the current DIDF RFO process;

2. SCE's outreach activities and interaction with Participants prior to and after submission of offers was designed to provide a significant base of information for Participants. This included holding a Bidder's Conference for potential Participants. SCE engaged in discussions and email exchanges to ensure the Participants were in line with the schedule and process. In addition, SCE sent emails to all contacts on its email list for solicitations, which totals over 2,800 contacts. Overall, SCE's outreach activities were satisfactory;

3. SCE's 2022 DIDF RFO resulted in a limited response from the market in terms of the number of offers, particularly given the extended offer submission timeline and simplified process. SCE initially received [redacted] which met the deferral project's needs in a cost-effective manner; however, once the deferral project needs were updated, while the revised offers submitted by the bidder met the updated needs, neither offer was cost effective relative to the deferral value

4. SCE developed the evaluation methodologies and process to reflect the products being solicited, similar to the "Least Cost Best Fit" methodology used for other recent similar RFOs. In addition, SCE prepared an Offer Workbook that included the calculations necessary to determine an offer's cost effectiveness relative to the deferral project;

5. The IE found the solicitation documents to be very transparent and well-structured to allow potential Participants to effectively decide whether and how they wished to compete. The 2022 SOC RFO Solicitation documents clearly defined the procurement targets, products solicited, eligibility requirements, evaluation process and criteria, information required of Participants and company objectives;

6. The IE found no evidence of any preference toward any bidder or type of project;

7. The IE concludes that the process was undertaken in a fair and equitable manner and all Participants were treated equally.

10.2 RECOMMENDATIONS

1. There was a limited response to this solicitation. SCE should consider conducting outreach to past participants of the DIDF solicitations and other IFOM developers as to their reasons for not participating to better understand the barriers to entry into the SOC solicitation.

2. It should be considered whether or not the administrative costs should be an added fixed cost to the project. It's not clear if administrative costs that would be incurred in the implementation of the traditional mitigation projects are included in the deferral value calculations, so SCE may consider the use of administrative costs in the comparison of the traditional mitigation costs against the DER solutions. In addition, while it didn't factor into the evaluation and selection process, SCE may consider reevaluating cost estimates included in the administrative costs for accuracy;

3. SCE should undertake a complete and comprehensive evaluation during the solicitation process, particularly a qualitative evaluation. While SCE identified a number of qualitative criteria that would be considered in the RFO Instructions, SCE did not complete a formal qualitative evaluation of the offers. Completing a full qualitative evaluation of offers could not only help identify flaws in the proposal, but also identify challenges operating within the solicitation itself.

4. There were a couple challenges encountered relating to the proposed schedule. As discussed earlier in the report, the offer submission deadline was extended in order to provide additional time for SCE to respond to bidder questions. In addition, the error encountered in DPP that resulted in delayed final DPAG/DDOR filing required a revised offer to be submitted, further delaying the offer evaluation and selection process. Lastly, while the selection decision was determined in mid-January and the June 16, 2022 ALJ Ruling outlined a schedule to notify the PRG of the selection status in January 2023, SCE held their PRG meeting on February 8, 2023. While some of these delays may be outside of the procurement team's control and likely didn't impact the solicitation outcome, the IE recommends that solicitations stick to the pre-established schedule as closely as possible.

10.3 RECOMMENDATION REGARDING CONTINUATION OF SOC PILOT

Resolution E-5190 requires that the IE provide a recommendation on the continuation of the SOC Pilot based on data from the first two years of the solicitation. Merrimack Energy recommends that the SOC be continued for the final year of the SOC Pilot for several reasons:

- In both years, SCE has received bids that were able to meet the project needs. In the previous solicitation, the proposed project met the deferral needs and was more economic than the traditional deferral solution; however, the proposed technology was not commercially proven. In the 2022 solicitation, the initial bid met the need and was more economic than the traditional deferral solution; however, as described earlier, when the needs were increased, the revised bid was able to meet the needs but was not economic relative to the traditional solution.
- In the DIDF solicitations, the first hurdle for proposals is to ensure that the projects offered meet the deferral project's needs. Looking at these solicitations historically, it's been more of a challenge for aggregators of behind-the-meter projects to meet the entire project need. It appears that IFOM projects are generally more successful in meeting the project needs, which is the technology configuration that the SOC Pilot solicits.
- It is the IE's experience based on previous solicitations held across the state of California, that site-constrained solicitations generally result in less competition. Therefore, the overall minimal competition exhibited in SCE's SOC Pilot processes should be generally expected and is not necessarily a sign of a failing pilot program.
- Generally, the success of the project is highly dependent on the specific characteristics of the deferral opportunity. Without knowing what project will be recommended in the upcoming GNA/DDOR process, it's very difficult to predict the outcome and potential success of the SOC Pilot process.

2022-2023 Independent Evaluator Report for PG&E

DIDF and SOC Solicitations

March 15, 2023

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Version: 1

1 Executive Summary

PA Consulting Group, Inc. ("PA") served as the Independent Evaluator ("IE") for the Pacific Gas & Electric ("PG&E") 2022 Distribution Investment Deferral Framework Request for Offers ("2022 DIDF RFO") solicitation and the 2022 Distribution Investment Deferral Framework Standard Offer Contract Pilot ("2022 SOC Pilot"). This report provides PA's evaluation of PG&E's procurement process for these distribution deferral programs.

1.1 Overview of Solicitations

PG&E conducted the 2022 DIDF RFO and 2022 SOC Pilot solicitations separately. The intent of the RFOs is to address expected capacity needs on local distribution feeders due to an expected increase in demand on the identified distribution circuits. The intent of both solicitations was to solicit offers for alternative solutions to enable PG&E to defer distribution system capital upgrades. These capacity needs were provided with sufficient detail for bidders to understand the capacity needs at each location.

Throughout the process, PA identified limited market participation [redacted] In PA's experience with the DIDF and SOC process, this level of market participation is in line with previous similar procurements.

However, [redacted] bids for the 2022 DIDF RFO was determined as conforming and was moved to the shortlisting process, whereas [redacted] bids was deemed non-conforming as it did not address the grid need. Additionally, the [redacted] for the 2022 SOC Pilot was determined as conforming.

During shortlisting, [redacted] was selected for contract negotiations for the 2022 DIDF RFO and [redacted] was selected for contract execution for the 2022 SOC Pilot.

1.2 PA's IE Report

PA's IE report generally follows the California Public Utilities Commission's ("Commission" or "CPUC") Solicitation Shortlist Report Templates. The main sections include:

Section 2: Overview and Background of the 2022 DIDF and SOC Solicitations

Section 3: Summary of PA's Role as IE

Section 4: PG&E's Outreach Efforts

Section 5: PG&E's Bid Evaluation Design

Section 6: Fairness of PG&E's Bid Evaluation Process

Section 7: Merit of Solicitation Shortlist

Section 8: Fairness of Project Specific Negotiations

Section 9: Merit of Contract Approval

Section 10: Independent Evaluator's Recommendations

Section 11: Appendices

1.3 Main IE activities during solicitations

PA's role in both PG&E's 2022 DIDF RFO and 2022 SOC Pilot has spanned approximately five months from August 2022 to March 2023. However, contracts have yet to be executed for both solicitations and as such, PA's role as the IE in these solicitations will likely continue past March 2023. The following provides a summary of PA's main activities during this solicitation:

- PA reviewed drafts of the 2022 DIDF RFO and 2022 SOC Pilot documents prior to PG&E issuing the solicitations.

- PA received all communications between PG&E and bidders. PA directly received all the emails, including bid packages that were sent to and received from bidders.
- PA also participated in telephone conferences that PG&E held with individual bidders.
- PA and PG&E conducted several IE calls during which PG&E advised PA of the status of the solicitations and discussed the treatment of certain bids.
- PA reviewed all bids.
- PA reviewed PG&E's proposed shortlist prior to notifying shortlisted bidders for the 2022 DIDF RFO.
- PA reviewed PG&E's contract negotiations for the 2022 DIDF RFO via redlined documents with selected bidders to ensure that the negotiation process was fair and all bidders were treated consistently.

1.4 High level summary of findings

Overall, PA confirms that PG&E conducted a fair and equitable solicitation for both the 2022 DIDF RFO and the 2022 SOC Pilot.

- PG&E in no way prevented PA from observing its process and analyzing its methods and did not interfere with PA's conducting the Independent Evaluation.
- PA finds that PG&E's outreach for both the 2022 DIDF RFO and 2022 SOC Pilot was adequate, the solicitation materials were clear and concise, and that PG&E answered bidder questions.
- Based on our review of PG&E's analysis, our participation in calls and meetings and other IE activities, PA finds that PG&E conducted both the 2022 DIDF RFO and 2022 SOC Pilot fairly.

PA identified specific recommendations to further improve future solicitations, as documented in Section 9.

2 Overview and Background

2.1 Regulatory Background

The CPUC adopted the Distribution Investment Deferral Framework ("DIDF") process[1], building on a previous pilot adopted by the CPUC. In adopting the DIDF process, the Commission sought to have the Investor-Owned Utilities ("IOU") identify and select potential third-party owned Distributed Energy Resource ("DER") opportunities which would help the IOU avoid or defer further capital investments into their electric distribution system. Later, to further pilot possible opportunities to identify resources to help IOUs cost-effectively defer capital investments in their electric distribution system, the CPUC adopted two pilot programs within the DIDF procurement process[2]. The pilots are the Standard Offer Contract ("SOC") Tariff Pilot and the Partnership Pilot. The SOC Tariff Pilot is a three-year pilot which is limited to in-front-of-the-meter DERs and uses a standard contract to streamline the procurement, as compared to the DIDF RFO process.

On January 27, 2022, the CPUC adopted evaluation criteria related to the SOC Tariff Pilot and the Partnership Pilot[3]. The Commission outlined that the evaluation criteria would be implemented as two steps. The IE is directed to first use the success criteria for the pilot evaluation and then use the performance measures in the evaluation. The Resolution further notes that the success criteria are broken out into two phases, with the first phase focusing on procurement results and the later phase focusing on DER / aggregator performance and local distribution reliability. The Commission outlines questions to consider in the evaluation of the success criteria as well as questions and metrics to identify in the qualitative and quantitative analysis for the performance measure evaluation.

The Resolution adopting the evaluation criteria for the SOC Pilot also outlines the timeline for various reporting activities related to the solicitation. Specifically, it outlines that the IE report on the second year of the SOC Tariff Pilot be due in February 2023 and that the IE recommends through the report on whether projects should be launched in Year 3 of the SOC Tariff Pilot, based on years 1 and 2. Additionally, a CPUC Administrative Law Judge ruling on June 16, 2022[4], further clarifies that the IE report on the SOC Tariff Pilot and DIDF RFO be due on March 15, 2023. This report is intended to discuss PG&E's 2022 DIDF RFO and 2022 SOC Pilot, as well as to provide a recommendation as to whether PG&E's SOC Tariff Pilot should be off ramped for Year 3 of the pilot.

2.2 Overview of PG&E's Annual Grid Needs Assessment Process

The PG&E team performs an Annual Grid Needs Assessment ("GNA") process. Planning is performed in the following yearly increments: 3 years for line section needs, 5 years for feeder needs and 10 years for broader needs.

Historically, the PG&E team indicated that most identified services are for capacity and that ultimate selections are generally technology agnostic if the provider can contractually meet the needs that they are committing to in the solicitations. When publishing the information of the GNA, PG&E respects client confidentiality and redacts load related information if one customer makes up >15% of total consumption, or there are < 100 residential customers downstream, or <15 non-residential customers downstream (this is also known as the "15-15" rule). As such, a lot of information included publicly is redacted, but this information is available in detail for participants that sign Confidentiality Agreements ("CA").

Through the GNA process, PG&E identified 489 total grid needs, of which 18 projects were identified that could be candidates for distribution deferral based on a screening process, which was done by performing a:

[1] California Public Utilities Commission, D. 18-02-004
[2] California Public Utilities Commission, D. 21-02-006
[3] California Public Utilities Commission, Resolution E-5190, Attachment A, January 31, 2022
[4] California Public Utilities Commission, Rulemaking 21-06-017

- Technical Screen - a technical determination if DERs can satisfy the specific grid need, and
- Timing - if the operating date of the planned investment is within or after 2025

Three additional criteria were applied to categorize the projects into tiers. This resulted in 7 projects being identified and sorted into procurements, as follows:

- 1 project for the Standard Offer Contract ("SOC")
- 3 projects for the Distribution Investment Deferral Framework ("DIDF") RFO
- 3 projects for the Partnership Pilot ("PP"), which will be discussed in a future IE report.

2.3 Overview of the 2022 DIDF RFO and 2022 SOC Pilot

2.3.1 2022 DIDF RFO

PG&E issued its 2022 DIDF RFO solicitation on September 15th, 2022, in accordance with Decision ("D.")16-12-036[5] and Resolution ("R.") E-4889[6].

Through this solicitation, PG&E requested offers to defer the planned distribution upgrades from the following IFM or behind the meter ("BTM") DERs:

- Energy Efficiency
- Demand Response
- Renewables
- Energy Storage
- Other

PG&E identified a total of three grid need locations eligible for the solicitation, as listed below:

1. Camden 1106, which is a feeder located in the Central Valley territory. Per the DPAG's GNA, Camden 1106 is a capacity need where the demand on the distribution systems is expected to exceed capacity soon. The deferral value was calculated at $11,307,514.
2. Old River Bank 2, which is a feeder located in the Central Valley territory. Per the DPAG's GNA, Old River Bank 2 is a capacity need where the demand on the distribution systems is expected to exceed capacity soon. The deferral value was calculated at $4,435,555.
3. San Joaquin Bank 2, which is a feeder located in the Central Valley territory. Per the DPAG's GNA, San Joaquin Bank 2 is a capacity need where the demand on the distribution systems is expected to exceed capacity soon. The deferral value was calculated at $8,708,319.

2.3.2 2022 SOC Pilot

On September 15, 2022, PG&E launched the second cycle of the SOC Pilot; a three-year program, to procure incremental front of the meter ("IFM") DERs to defer planned distribution projects. In this pilot, offers are submitted in the form of quantities ("MW") that the offeror is willing to provide at the offeror's specified percentages of the offer price cap.

PG&E identified one grid need location eligible for the solicitation, as listed below:

1. Blackwell Bank 1 which is a feeder located in the Central Valley territory. Per the DPAG's GNA, Blackwell Bank 1 is a capacity need where the demand on the distribution systems is expected to exceed capacity soon. A traditional infrastructure solution was estimated to be at $7,500,000, This translates to a deferral value of $2,887,108.

[5] Decision Addressing Competitive Solicitation Framework and Utility Regulatory Incentive Pilot (the "Integrated Distributed Energy Resources Incentive Pilot Decision") - issued on December 22, 2016
[6] Adopted on December 14, 2017

3 Summary of PA's Role as IE

3.1 IE's key roles and responsibilities

The role of the IE is to provide advice to the utility on the design, administration, and evaluation aspects of the Solicitation. The CPUC has clarified that the role of the IE is not to conduct or administer the solicitation, but to "separately evaluate and report on the IOU's entire solicitation, evaluation, and selection process." [7]

Additionally, the IE is to ensure that PG&E treats all bidders fairly and equitably and that no particular counterparty is favored. The IE also ensures that the bid selection process is transparent and is aligned with the procurement requirements. PG&E can also call on the IE's advice as to various evaluation issues that may arise during the Solicitation process. During this Solicitation, PG&E did consult with the IE regarding certain aspects of the evaluation process.

The CPUC requires an IE for IOU long-term resource procurement RFOs.[8] The role of the IE for the 2022 SOC Pilot was specifically to review the IOU's solicitation process, outcomes, and recommendations. Additionally, the IE is to present its own independent analysis and recommendations on the SOC pilot success to date, areas for improvement, and off-ramp considerations[9].

Additionally, the IE is to ensure that PG&E treats all offers fairly and equitably and that no technology or counterparty – or affiliate bid - is favored. The IE also ensures that the bid selection process is transparent and is aligned with the procurement requirements. PG&E can also call on the IE's advice as to various evaluation issues that may arise during the RFO process.

3.2 PA's activities as IE

This section describes the activities PA performed associated with each stage in the process for the 2022 DIDF RFO and the 2022 SOC Pilot in the role of IE. PA was involved from PG&E's development of the solicitation materials in September 2022 through to the shortlisting of the bids and the negotiation and execution of contracts in Q1 2023. PA evaluated whether the procedures followed by PG&E were aligned with the process it established in its Solicitation Protocol and provided fair and equitable treatment of all bids. PA was in regular contact with PG&E staff throughout the process, addressing PG&E's questions, identifying and resolving potential issues, and providing recommendations throughout the process.

PA performed the role of IE for both the 2022 SOC Pilot solicitation and the 2022 DIDF RFO solicitation as described below.

3.2.1 2022 DIDF RFO Solicitation Overview

PG&E requested that PA serve as the IE for the 2022 DIDF RFO Solicitation. PA began serving as the IE in August 2022 and is still acting as the IE as contract negotiations are still ongoing as the shortlisted counterparty has yet to execute a contract with PG&E.

PA reviewed PG&E's draft solicitation documents for this procurement. This included the Solicitation Protocol, which describes the end-to-end process of the solicitation along with the resource need for the audience of bidders and potential bidders. Additionally, this included the determined deferral value of the grid need location(s). These are further described below.

PA provided multiple comments on the Solicitation Protocol documents before its released to the market. Additionally, PA provided recommendations throughout the entire 2022 DIDF RFO process, which are summarized in the recommendations section below.

[7] D. 06-05-039, p. 46.
[8] California Public Utilities Commission, Decision (D.) 04-12-048, Dec. 16, 2004, and Decision (D.) 06-05-039, May 26, 2006.
[9] California Public Utilities Commission, Resolution E-5190, Attachment A, January 31, 2022.

PA received all communications between PG&E and offerors through the PowerAdvocate® system and/or through a PA email dedicated to PG&E Independent Evaluator activities. PA monitored the PowerAdvocate® bid site through the procurement process.

3.2.2 2022 SOC Pilot Solicitation Overview

PG&E requested that PA serve as the IE for the 2022 SOC Pilot Solicitation. PA's began serving as the IE in August 2022 and is still acting as the IE as the bid selected through this solicitation has yet to contract with PG&E.

PA reviewed PG&E's draft solicitation documents for this procurement. This included the Solicitation Protocol, which describes the end-to-end process of the solicitation along with the resource need for the audience of bidders and potential bidders. Additionally, this included in the calculation documents and spreadsheets that determined the deferral value of the site(s). These are further described below.

PA provided multiple comments on the Solicitation Protocol documents before its released to the market. Additionally, PA provided recommendations throughout the entire 2022 SOC Pilot process, which are summarized in the recommendations section below.

PA received all communications between PG&E and offerors through the PowerAdvocate® system and/or through a PA email dedicated to PG&E Independent Evaluator activities. PA monitored the PowerAdvocate® bid site through the procurement process.

3.2.3 Solicitation materials

PG&E provided the draft documents to the IE prior to releasing the documents to the market. Please refer to Section 9 of this report, which discusses the IE's recommendations related to the solicitation materials. The solicitation materials provided are summarized below:

2022 DIDF RFO:

Form Name	Description	Action Needed by Recipient
One-Way Non-Disclosure Agreement with Pacific Gas & Electric	Non-Disclosure Agreement that allows bidder to access confidential information on PowerAdvocate® platform	Sign and return
Fall 2022 DIDF Solicitation Protocol	PDF document with necessary information about bid process and resource need	Read and understand prior to submitting bid
Appendix_A2_Offer_Form (Schindler 1110, Old River Bank 1, Stroud Bank 1) [Confidential]	Excel spreadsheet that the bidder must complete to provide critical information about their bid	Complete and return
Appendix_F2_Load_Forecast_FINAL_ CONF_22-0930	PDF document with specific load and customer information for the three resource needs identified	Read and understand prior to submitting bid

2022 SOC Pilot:

Form Name	Description	Action Needed by Recipient
Appendix C – Non-Disclosure Agreement	Non-Disclosure Agreement that allows bidder to access confidential information on PowerAdvocate® platform	Sign and return
Protocol_SOC_2022	PDF document with necessary information about bid process and resource need	Read and understand prior to submitting bid
Offer Form [Appendix A]	Excel spreadsheet that the bidder must complete to provide critical information about their bid	Complete and return
Appendix_F_SOC_Pilot_FINAL_22-0930	PDF document with specific load and customer information for the resource need identified	Read and understand prior to submitting bid

In addition to the solicitation materials, PG&E provided the IE with their calculation methodology for arriving at deferral values, which has been previously reviewed and in place for other investment deferral solicitations. This methodology and the results are included in the "DDOR 2022 LNBA Tool-CostEffectCap4RFO.xlsx" file.

3.2.4 Bid submittal process

Prior to submitting bids, PG&E asked bidders to submit a Non-Disclosure Agreement ("NDA"), in order to gain access to confidential information that PG&E was providing through both solicitations, either through the PowerAdvocate® platform, or via email with the IE copied. In total, PG&E received the following number of NDAs for each solicitation:

- 2022 DIDF RFO solicitation: [redacted] bidders
- 2022 SOC Pilot solicitation: [redacted] bidders

PG&E's bid intake process for both solicitations was conducted via PowerAdvocate®, and any additional questions, comments, or clarifications were either submitted as PowerAdvocate® messages or as an email with the IE copied. In total, PG&E received the following number of bids for each solicitation:

- 2022 DIDF RFO solicitation: [redacted]
- 2022 SOC Pilot solicitation: [redacted]

The bidders submitted documentation via PowerAdvocate®. The bidders provided follow-up questions and comments via email, which the IE had access to.

3.2.5 Communication with bidders

PG&E communicated with bidders via email, via PowerAdvocate®, via a bidder conference held on September 29, 2022 that covered both the DIDF and SOC solicitations, and via phone call. The IE had access to the PowerAdvocate® events for the 2022 DIDF RFO and the 2022 SOC Pilot. Additionally, PG&E asked all market participants to email any questions, comments, or feedback directly to one of the following PG&E mailboxes, while copying PA's IE email address directly.

- didfrfo@pge.com – for the 2022 DIDF RFO solicitation
- socpilotdidf@pge.com – for the 2022 SOC Pilot solicitation

In one identified instance for the 2022 DIDF RFO, a bidder contacted PG&E directly via telephone, and the PG&E representative answered several questions that the bidder had directly on the phone call without the IE present. The IE promptly re-iterated the importance of having the IE present on all bidder communications to the PG&E representative.

In another identified instance for the 2022 DIDF RFO, a bidder and PG&E coordinated on a virtual conference call and invited the IE to listen in. Four members of the IE team were on the virtual conference call. The bidder asked several questions, including asking PG&E for their design preferences related to interconnection. The PG&E representatives on the phone call appropriately deflected the question as to not provide coaching to the bidder. We applaud PG&E for their response to this bidder question.

3.2.6 Initial bid review and conformance check

After receiving bids, PG&E conducted a conformance check on each bid to determine its compliance with all bid requirements. The bid requirements include (1) ensuring that the bid by itself, and/or in combination with other bids, fully matches the need as specified, and (2) the cost of the bid is below the deferral value. Please see below for information on each specific solicitation.

2022 DIDF RFO

Resource Need: [redacted]

Cost Below Deferral Value: [redacted], the PG&E team noted that [redacted] was under the specified deferral value. Accordingly, the PA team re-performed the calculation both counting 2022 as the first year with zero cash flow, and 2023 as the first year with zero cash flow, and arrived at the same conclusion tha[redacted] value is below the deferral value. PA's calculation process is included in Appendix D. [redacted]

2022 SOC Pilot:

Resource Need: [redacted] that covered the entire need for the Blackwell resource. This [redacted] was determined to be conforming.

Cost Below Deferral Value: [redacted], the PG&E team noted that [redacted] was under the specified deferral value. Accordingly, the PA team re-performed the calculation both counting 2022 as the first year with zero cash flow, and 2023 as the first year with zero cash flow, and arrived at the same conclusion. PA's calculation process is included in Appendix D. [redacted].

3.2.7 Evaluation process

PG&E separately developed an evaluation process to review the bids from a qualitative perspective. Refer below for the DIDF and SOC process.

2022 DIDF RFO

For the 2022 DIDF RFO, the PG&E team relied on qualitative criteria that was established ahead of time, documented, and communicated to PA. The PA team noted that this criterion has not been updated since 2021. Per review of the document, PG&E employs the following criteria to review the bid:

- Technology (including history of technology, rating, reputation, and other conditions)
- Whether the facility is existing or new
- Environmental characteristics and environmental impacts, including the status of resource reviews and permitting
- Construction milestones, including site access and the ability to demonstrate site control
- Engineering details

- Procurement details
- History of construction
- Ability of project to interconnect
- Measurement and verification protocols for the project

The project is lastly scored on a "+" (High) "0" (Medium) or "-" (Low) dimension depending on the qualitative evaluation. The PA team further noted that additional questions are included in the offer excel sheet that bidders are required to fill out that are not incorporated into the scoring criterion above. Per discussion with PG&E, these questions are mainly informational, and are appropriately excluded from the scoring process.

Per further discussion with PG&E, PG&E indicated that the criterion is intentionally open-ended to allow flexibility in decision making. Separately, the PA team noted that the PG&E team did not explicitly document their qualitative review of [redacted] and moved [redacted] to the shortlisting process without completing a documented review and scoring.

The PA team shared their questions with PG&E (which are documented in Appendix E - DIDF Questions), to share with the bidders. PG&E indicated that [redacted] they would prefer to ask these questions during the shortlisting and negotiations process. The PA team provided a recommendation related to this in the recommendations section below.

2022 SOC Pilot:

For the 2022 SOC Pilot, the PG&E team indicated that they generally use similar qualitative criteria as with the 2022 DIDF RFO protocol but does not have a documented process specifically for the 2022 SOC Pilot. Accordingly, PG&E generally employs the following parallel criteria to review the bid:

- Technology (including history of technology, rating, reputation, and other conditions)
- Whether the facility is existing or new
- Environmental characteristics and environmental impacts, including the status of resource reviews and permitting
- Construction milestones, including site access and the ability to demonstrate site control
- Engineering details
- Procurement details
- History of construction
- Ability of project to interconnect
- Measurement and verification protocols for the project

The project is *not* scored in the same way that bids in the 2022 DIDF RFO are scored, but rather, PG&E indicated that if there are any red flags that prevent them from moving on, they would not move the bid on to contract execution. Separately, if multiple bids came in that addressed the same need, they would generally go with the bid that has the lowest price. The PA team identified several questions, which are documented in Appendix E - SOC Questions.

The PA team shared these questions with PG&E, to share with the bidders. PG&E indicated that since the selection is cost-based, absent a red flag, the answers to the questions would not impact project selection. The PA team provided a recommendation related to this in the recommendations section below.

3.2.8 Shortlist determination

PG&E moved forward with [redacted] for the 2022 DIDF RFO into the shortlisting process. As there is no shortlisting or negotiation for SOC process, PG&E decided to select [redacted] for the 2022 SOC Pilot and move forward towards contract execution. [redacted] conformed to the minimum bidding requirements as specified in the section above.

2022 DIDF RFO:

On December 12, 2022, the PG&E team notified [redacted] that they will be moving onto the shortlist process and provided a shortlist notification letter.

2022 SOC Pilot:

There is no shortlist process for the 2022 SOC Pilot, as the project is selected for contracting with a standard contract if it both passes the conformance check and is determined to cost under the deferral value. However, PG&E still held further discussions with the bidder to answer several questions.

On January 13, 2023, the PG&E team held a meeting [redacted] to discuss additional information needed to determine if the bid can move on to contract execution. During the discussion, [redacted] provided answers to several questions included above, such as:

- **Technology:** [redacted]
- **Site Control:** [redacted]
- **Distribution Interconnection:** PG&E and [redacted] discussed that with the current plan there was the risk that the feeder could be overloaded, which would warrant a more comprehensive interconnection study. This could possibly also result in [redacted] needing to upgrade the feeder, delaying their timeline for reaching their commercial operation date (COD); In the discussion, PG&E mentioned, that if [redacted] connected through a feeder with higher capacity, then they could decouple the BESS and not have to meet the reverse-power flow protection requirement, since that feeder could already handle the extra export.

3.2.9 Contract negotiations

2022 DIDF RFO:

[redacted]

[redacted] The IE determined that the negotiations appeared to be performed in good faith, and the changes appear reasonable and in alignment with typical solicitation practices.

2022 SOC Pilot:

Given that the SOC is a “Standard Offer Contract”, negotiations are not performed. Therefore, the contract is a ‘take-it-or-leave-it’ contract after the project has been selected. PG&E has yet to execute the contract for the selected bidder for the 2022 SOC Pilot but indicated that they intend to execute within the next month.

4 PG&E's Outreach Efforts

4.1 Notifications and announcements

PG&E's outreach efforts for the 2022 DIDF RFO and 2022 SOC Pilot solicitations are outlined below.

4.1.1 2022 DIDF RFO

PG&E posted information about the 2022 DIDF RFO on their website, dedicating a specific webpage to the solicitation. Additionally, PG&E distributed information about the solicitation to a mailing list with 2,720 recipients. After launching the solicitation, PG&E hosted a public participant webinar on September 29, 2022. This webinar was a joint webinar and covered information related to both the 2022 DIDF RFO and the 2022 SOC Pilot. After the webinar ended, PG&E also posted a recording of this webinar to their solicitation specific webpage. Lastly, PG&E sent a reminder email to participants who were registered via PowerAdvocate® ahead of the bid submittal deadline.

4.1.2 2022 SOC Pilot

PG&E posted information about the 2022 SOC Pilot on their website, dedicating a specific webpage to the solicitation. Additionally, PG&E distributed information about the solicitation to a mailing list with 2,720 recipients. After launching the solicitation, PG&E hosted a public participant webinar on September 29, 2022. This webinar was a joint webinar and covered information related to both the 2022 DIDF RFO and the 2022 SOC Pilot. After the webinar ended, PG&E also posted a recording of this webinar to their solicitation specific webpage.

PG&E utilized the following schedule for the 2022 DIDF RFO solicitation:

Date	Activity
September 14, 2022	IE provides PG&E with feedback prior to the 2022 DIDF RFO release[10]
September 15, 2022	PG&E releases the 2022 DIDF RFO
September 29, 2022	PG&E hosts a participant webinar; IE attends
December 1, 2022	Offers due via PowerAdvocate
December 22, 2022	PG&E notifies participations of eligibility for shortlisted offer negotiations
Q2 2023	Negotiations

[10] Refer to recommendations section

Date	Activity
Q2 2023	Contract Execution

PG&E utilized the following schedule for the 2022 SOC Pilot solicitation:

Date	Activity
September 14th, 2022	IE provides PG&E with feedback prior to the 2022 SOC Pilot release[11]
September 15th, 2022	PG&E releases the 2022 SOC Pilot
September 29th, 2022	PG&E hosts a participant webinar; IE attends
December 15th, 2022	Offers due via PowerAdvocate
January 12th, 2023	PG&E notifies selected Participants that their offer(s) will be included on a list of Offers for which PG&E may seek to enter into an agreement
January 19th, 2022	Participants notify PG&E whether they accept their status and acknowledge acceptance of their Confidentiality Agreement
Q1 2023	Execute Transaction(s)

4.2 Solicitation materials

As documented above, PG&E provided various solicitation materials for both the 2022 DIDF RFO and 2022 SOC Pilot solicitations. In PA's opinion, PG&E provided appropriate solicitation materials for both solicitations to the bidders with sufficient information to support the bidding process. While PG&E did answer all questions posed by bidders, there was one instance where a technical question related to the 2022 DIDF RFO did not receive a prompt response as documented in the recommendations section.

[11] Refer to recommendations section

5 PG&E's Bid Evaluation Design

5.1 Principles used to evaluate methodology

PA used the following principles to guide its evaluation:

- The procurement targets and objectives should be clearly defined in PG&E's solicitation materials;
- The evaluation should only be based on those criteria requested in the response form and/or presented as criteria in the relevant protocol documents;
- The methodology should identify how quantitative measures will be considered and be consistent with an overall metric;
- The approach should not be biased for or against specific counterparties; and
- The methodology does not have to be the one that the IE would independently have selected but it needs to be "reasonable";
- The methodology should be appropriately documented and should contain objective and measurable criteria to the extent possible.

5.2 Amount and type of products

In this Solicitation, PG&E sought the following products:

5.2.1 2022 DIDF RFO

Three products were sought, as documented below:

1) Capacity need of > 4.5MW by 2025 across five GNA facilities[12] at Camden 1106 which is a feeder located in the Central Valley territory, where the demand on the distribution systems is expected to exceed capacity soon. The deferral value was calculated at $11,307,514 over seven (7) years. The five GNA facilities include:
   a) SCHINDLER 1110
   b) HENRIETTA 1110
   c) CAMDEN BANK 1
   d) CAMDEN 1103
   e) HARDWICK BANK 1
2) Capacity need of > 3.5MW by 2025 across three GNA facilities at Old River Bank 2 which is a feeder located in the Central Valley territory, where the demand on the distribution systems is expected to exceed capacity soon. The deferral value was calculated at $4,435,555 over seven (7) years. The three GNA facilities include:
   a) OLD RIVER BANK 1
   b) OLD RIVER 1102
   c) OLD RIVER BANK 2
3) Capacity need of > 4MW by 2025 across three GNA facilities at San Joaquin Bank 2 which is a feeder located in the Central Valley territory, where the demand on the distribution systems is expected to exceed

[12] Per PG&E, a "facility" includes a sub-component of the distribution system that requires upgrade as part of the overall need. For example, "Banks" typically refer to the specific transformer asset located on the grid.

capacity soon. The deferral value was calculated at $8,708,319 over seven (7) years. The three GNA facilities include:

a) SAN JOAQUIN BANK 1

b) SAN JOAQUIN 1106

c) STROUD BANK 1

5.2.2 2022 SOC Pilot

There is a capacity need [redacted] by 2025 at Blackwell Bank 1, which is a feeder located in the Central Valley territory and is expected to exceed capacity limits soon. A traditional infrastructure solution was estimated to cost $7,500,000, which translates to a deferral value of $2,887,108 over seven (7) years.

5.3 Description of PG&E's bid evaluation methodology

PG&E's valuation and selection approach was intended to evaluate the different product types on as equal a footing as possible. The initial step included a conformance check of each offer, prior to the more in-depth qualitative evaluation process.

5.3.1 Conformance Check

The initial analysis included an assessment of conformance. All offers needed to conform to the minimum participation criteria and eligibility. The Solicitation was less complex than other procurement processes in which the utility is seeking to acquire resources, and as such had more limited conformance requirements.

The conformance requirements were generally limited to the following for both the 2022 SOC Pilot and 2022 DIDF RFO:

- Is the cost of the project to PG&E less than the corresponding calculated deferral value?
- Does the project by itself, or in aggregate with other bid-in projects, meet the deferral need at the location?
- Has the bidder completed the following documents?
  - Non-Disclosure Agreement[13]
  - Cover Letter / Overview describing the resource (both SOC and DIDF)
  - Appendix A2 Offer Form [DIDF Only]
  - Appendix A Offer Form [SOC Only]

PA is only aware of one bid in the 2022 DIDF that was rejected for non-conformance, as this bid could not meet the resource need in its' entirety, and there were no other complementary bids that could be joined to meet the resource need collectively.

5.3.2 Quantitative Bid Evaluation

The only Quantitative Bid evaluation performed is a calculation of the overall cost of the project in relation to the distribution system project being deferred. If the total cost is below that for the bid, and the bid conforms, it will be selected.

This methodology and the results are included in the "DDOR 2022 LNBA Tool-CostEffectCap4RFO.xlsx" file. The IE does not opine on the accuracy of the calculation and/or methodology, however, we do gain an understanding of the context of the deferral values that are compared to the bids. PA's high-level understanding of the calculation methodology is as follows:

[13] Note that if the bidder has not completed a Non-Disclosure Agreement, they would not have access to the Confidential Information included in PowerAdvocate® and it would be unlikely, if not impossible, to put in an accurate bid.

- There are individual projects listed with expected capital cost and implementation dates, that are associated with the specific feeder eligible for deferral which are aggregated to a single capital cost dollar figure
- Because the traditional investment is calculated using today's dollars, but implemented & constructed in a future year, the calculation applies an inflation factor to arrive at nominal dollars in the year of implementation
- A revenue requirement adjustment factor is applied to the expected capital cost and implementation dates
- The calculation calculates what the ***benefit*** is of pushing out the traditional investment by 7 years (Date of Implementation + 7), and this value gets discounted to a specific date in either 2022 or 2023
- Since the deferral period is 7 years, the calculation takes the MW need per the feeder analysis, multiplies MW x 1000 to convert to kW per year, and performs a Net Present Value (NPV) calculation to the kW from (Date of Implementation) + 7 years back to 1/15/2023.
- The calculation then divides the ***benefit*** by the ***normalized kW*** into a $/kW deferral value

The IE identified a few other specifics related to the calculation:

- The traditional investment is assumed to last 46 years, and be replaced after year 46
- The traditional investment assumes recurring CapEx and OpEx spend

5.4 Evaluation of PG&E's methodology

PA generally believes that PG&E's methodology was reasonable, and notes that the deferral value methodology used in calculating and comparing deferral value to the value of the bid was adopted by CPUC decision. However, PA has identified numerous recommendations to improve the methodology moving forward, specifically to reduce subjectivity and improve the fairness of the process. Please refer to 9 for additional details.

6 Fairness of PG&E's Bid Evaluation Process

6.1 Principles IE used to evaluate methodology

As in the previous section, PA used the following principles to guide its evaluation, and in this case phrased as questions:

- Were bidder questions answered fairly and consistently and the answers made available to all?
- Did the utility ask for "clarifications" that provided the bidder an advantage over others?
- Were all bids given equal credibility in the economic evaluation?

6.2 Administration of bid evaluation process

A description of PA's activities in its role as IE is provided in Section 2. Based on PA's participation and observations we believe that the bid evaluation process was administered fairly.

6.3 IE's review of PG&E's conformance checks

After the bids were submitted and both solicitations closed, PG&E began an initial conformance check. PA also received a complete copy of all the bids as they were submitted. PA's conformance check agreed with PG&E's conformance check.

6.4 Review of PG&E's application of the bid evaluation methodology

PA independently reviewed the bids provided using PG&E's bid evaluation methodology. In several instances, PA identified improvement opportunities for the bid evaluation methodology and improvement opportunities in PG&E's documentation of their bid review. However, PA noted that PG&E's review of the bids was generally in alignment with their bid evaluation methodology, and given the less complex nature of this solicitation, the bid review performed by PG&E was appropriate.

6.5 IE's review of PG&E's selected shortlists

PA believes that the shortlists were selected appropriately.

6.6 Fairness of PG&E's evaluation

Based on PA's review of PG&E's analysis, participation in calls and meetings and other IE activities, PA believes that PG&E conducted the 2022 DIDF RFO and 2022 SOC Pilot evaluation analysis fairly. However, PA has identified significant improvement opportunities that we strongly recommend PG&E implement in future solicitations.

7 Merit of Solicitation Shortlist

7.1 Did PG&E conduct the solicitation consistent with Commission decisions and PG&E's defined bid evaluation methodology?

It is PA's opinion that PG&E conducted a fair solicitation, for both the 2022 DIDF RFO and 2022 SOC Pilot, consistent with Commission decisions and PG&E's defined bid evaluation methodology. As indicated in our recommendations section, PA strongly recommends that PG&E improve its' documentation of its' bid evaluation methodology.

7.2 Do selected shortlisted bids provide the best overall value to ratepayers?

PA believes PG&E fairly selected its shortlist of bids for the 2022 DIDF RFO and that the bids provide the best overall value to ratepayers. This was verified in our re-calculations, as we calculated the cost of the proposed projects as lower than the specified deferral value. Additionally, although the 2022 SOC Pilot does not have a shortlist, PA believes that the bid selected to continue to contract execution provides the best overall value to ratepayers.

7.3 Reasonableness of the shortlist

In PA's opinion, PG&E's shortlist for the 2022 DIDF RFO and the selected bid to continue to contract execution for the 2022 SOC Pilot are reasonable.

8 Fairness of Project Specific Negotiations (2022 DIDF RFO Only)

PA closely monitored the contract negotiations and PG&E gave PA the opportunity to join negotiation teleconferences, provided PA copies of contract drafts, included PA on e-mails, and instructed counterparties to include PA on all communications.

8.1 Principles of PA used to evaluate fairness of negotiations

PA applied the following three principles to evaluate the fairness of negotiations:

- PG&E should not show bias toward any bidder by allowing contract conditions not offered to other bidders unless those conditions are balanced by comparable concessions by the bidder;
- PG&E should not negotiate harder or less hard with a bidder than with any other bidder; and
- PG&E should not attempt to impose contract conditions in the negotiation that significantly change the balance of the bargain, relative to what the bidder could have reasonably expected based on the Solicitation protocol materials.

8.2 Describe fairness of negotiations

PA participated in several negotiation meetings and received copies of red-lined draft contract documents to review. PA believes that PG&E treated bidders consistently and fairly.

8.3 What terms and conditions underwent significant changes during the course of negotiations?

Terms and conditions that were discussed through the negotiation process of the 2022 DIDF RFO was previously discussed in Section 2.2.9 of this report. However, negotiations are still underway as the contract with [redacted] has yet to be executed for the 2022 DIDF RFO.

As the 2022 SOC Pilot does not provide a negotiation phase as part of the solicitation process, there were no significant terms or conditions that changed through a negotiation process.

8.4 Was similar information and options made available to other participants?

[redacted]

9 Merit of Contract Approval

Per discussion with PG&E, as of the filing of this report, the contracts for both the 2022 DIDF RFO and 2022 SOC Pilot have yet to be executed. Once contracts are executed, these contracts will fulfill the deferral need for one (1) grid need location through the 2022 DIDF RFO and one (1) grid need location through the 2022 SOC Pilot.

10 Independent Evaluator's Recommendations

10.1 PA's Recommendations for Improving Future DIDF RFO and SOC Pilot Solicitations

10.1.1 2022 DIDF RFO

PA believes that PG&E conducted the 2022 DIDF RFO Solicitation evaluation in a fair and consistent manner and that appropriate due diligence was performed on the bids prior to contracting. However, the IE found the overall process to be more challenging than expected and has identified improvement opportunities for future solicitations. We have documented these below.

10.1.2 2022 SOC Pilot

PA believes that PG&E conducted the 2022 SOC Pilot Solicitation evaluation in a fair and consistent manner and that appropriate due diligence was performed on the bids prior to contracting. However, the IE found the overall process to be more challenging than expected and has identified significant improvement opportunities for future solicitations. We have documented these below.

10.1.3 List of Recommendations

Recommendation #1: PG&E provided the draft of the 2022 SOC Pilot and 2022 DIDF RFO solicitation documents to the IE for review on September 14, 2022, one day before release to the market on September 15, 2022. This required the IE to accelerate the review process. The IE recommends that PG&E provide additional time for the IE to review and approve these documents and amend them prior to release to the public. In the IE's experience, utilities typically provide outlines and/or drafts at least five business days in advance of the release to the public and allow the IE to iteratively review draft documents and address comments.

Recommendation #2A: A bidder contacted PG&E on November 7, 2022, regarding a technical question around one of the sites included in the 2022 DIDF RFO solicitation. An email was sent by PG&E responding to the bidder on the same day indicating that they were looking into the question and will send a response shortly. PG&E then next responded to the bidder on November 17, 2022, ten (10) calendar days later. Per our understanding and discussion with PG&E, there was no communication with the developer between the November 7, 2022, email and November 17, 2022, email. Per discussion with PG&E, this was a technical question that required significant research with different employees in multiple groups at PG&E. The IE recommends that PG&E provide more timely responses to bidders in the future. The IE has seen in other solicitations that this commitment is typically documented in protocols, and if the utility cannot answer the question within that committed time frame, they would provide an update to the bidder indicating that they are still reviewing the question.

Recommendation #2B: Related to the question included above, PG&E did not post the answer to this technical question in PowerAdvocate® nor did PG&E provide it via an email distribution to participants who had executed a NDA. The IE recommends that, throughout the course of the solicitation, answers to questions that may be relevant to bidders and/or potential bidders should be made available.

Recommendation #3: The IE identified a typo in the 2022 SOC Pilot Appendix F document on Pg. 6, which identifies the expected delivery term for Blackwell Bank 1 as "[redacted]", translating to a total [redacted] months. Per discussion with PG&E, and review of Pg. 7 of the 2022 SOC Pilot Protocol document, the expected delivery term for Blackwell Bank 1 should be written as "[redacted]", translating to a total [redacted] months. As [redacted] this did not cause any further challenges with the bidding process. The IE recommends that in future solicitations, PG&E perform a reconciliation across various documents released to bidders to ensure consistency.

Recommendation #4: The IE discussed the 2022 DIDF RFO qualitative review process with PG&E. Per discussion, PG&E indicated that the 2022 DIDF RFO qualitative review process was documented in an internal protocol document and provided this documentation to the IE. PG&E further indicated that this document is used to qualitatively differentiate different bids. In the event only a single bid is provided, the qualitative review is de-prioritized, as the focus is on whether or not the bid meets the need and is under the deferral value. The IE noted that the Protocol has not been updated since 2021, and identified multiple improvement opportunities for PG&E to consider to strengthen the qualitative review process, including:

- Throughout the document, consider utilizing more objective language that limits individual subjectivity wherever possible and allows re-performable scoring
- Consider documenting the interaction between the composite qualitative score and the price, and identify if multiple bids are received, which bid takes precedent
- If applicable, consider documenting the specialists and/or SME's that are responsible for reviewing specific components of the bid
- Consider providing additional documentation and detail on what constitutes "preferred" technologies, and build objective criteria to assess these technologies against one another
- Consider scoring individual sections, and aggregating these into a composite qualitative score to better articulate justification for the score
- Consider documenting the end-to-end review process, with comments and scoring included on the document itself, as this was not performed for DIDF Bid #1
- Consider documenting the pass/fail binary criteria that is used to evaluate if a bid meets the minimum requirements of the solicitation in the event that only a single bid is provided

The IE acknowledges that due to the limited size and scope of the solicitation, that there is a trade-off that PG&E must consider between executing a defined process and scoring methodology and allowing flexibility to select the project that makes the most sense for the grid need and ratepayers.

Recommendation #5: The IE discussed the 2022 SOC Pilot qualitative review process with PG&E. Per discussion, PG&E indicated that the 2022 SOC Pilot qualitative review process is not documented like the 2022 DIDF RFO qualitative review process is. PG&E further clarified that the 2022 SOC Pilot does not require negotiations, per se, as SOC is a "Standard Offer Contract" and if a bid qualifies for it, it should be accepted with the contract terms as is. However, the IE believes that PG&E should consider documenting the process to validate that the bids received for the 2022 SOC Pilot are complete, accurate, and provide PG&E with reasonable confidence that the bid addresses the resource need and can be completed by the claimed COD. The IE recommends that PG&E consider formalizing and documenting the SOC qualitative review process for future SOC solicitations.

As per above, the IE acknowledges that due to the limited size and scope of the solicitation, that there is a trade-off that PG&E must consider between executing a defined process and scoring methodology and allowing flexibility to select the project that makes the most sense for the grid need and ratepayers.

Recommendation #6: In one identified instance, a bidder contacted PG&E directly via telephone, and the PG&E representative answered several questions the bidder asked directly on the phone call without the IE present. PG&E promptly reported this conversation to the IE and, the IE re-iterated the importance of having the IE present on all bidder communications to the PG&E representative. The IE recommends in future solicitations if a bidder contacts PG&E directly without the IE being involved, PG&E schedule time with the IE and the bidder to discuss what is asked to be discussed.

Recommendation #7: PG&E sent a reminder email in advance of the deadline for the 2022 DIDF RFO solicitation. The IE recommends that reminder emails are pre-scheduled for future solicitations to potentially improve participation and encouragement of bidders to submit bids.

10.2 Recommendations on the Continuation of the SOC Pilot for Year 3

We recommend that the SOC Pilot is off-ramped and not launched for Year 3, however, we believe that deferral opportunities as they relate to PG&E's projected distribution system upgrades should still be made available as part of the broader DIDF RFO.

Our recommendation is based on assessment of the SOC Program's performance in Year 2, and our additional qualitative review of the data provided related to the SOC Program's performance in Year 1. Per Resolution E-5190, there are clear criteria that PA followed to support our recommendation. See below:

Success Criteria:

- Procurement Results –
  - **Question**: Were sufficient DERs procured to meet the grid need? If not, why?
  - **Answer**: In 2021, there was one (1) grid need identified, of which there were [redacted] bids submitted. However, this need was removed as additional capacity was determined to be needed at the feeder location and a DER solution was determined to be impractical. In 2022, there was one (1) grid need identified, of which there was [redacted] submitted that is currently awaiting contract execution. For 2021, there was no longer a grid need, and for 2022, the procurement process is still ongoing.
  - **Question**: Were DERs cost-effective compared to the planned investment?
  - **Answer**: In 2021, the deferral value for the grid need was calculated by PG&E at $7,971,000. However, the grid need was substantially changed and therefore PG&E paused their quantitative evaluation of the bids. As such, this is not applicable for 2021. In 2022, the deferral value for the grid need was calculated by PG&E at $2,887,108 and the [redacted]. If this information holds true through to contract execution and the cost projects are accurate, this will be determined to be cost-effective compared to the traditional investment.
  - **Question**: Of the projects selected for piloting, how many were successfully procured for? What is the percentage?
  - **Answer**: In 2021, none of the projects were successfully procured due to the change in grid need. In 2022, the bid is still awaiting contract execution.

- **DER / Aggregator Performance** – PA is unable to consider the questions for the evaluation, as there are no projects from Year 1 that resulted in an executed contract through the procurement, and the project from Year 2 has yet to be implemented.
- **Local Distribution Reliability** – PA is unable to consider the questions for the evaluation, as there are no projects from Year 1 that resulted in an executed contract through the procurement, and the project from Year 2 has yet to be implemented.

Performance Measures:

- **Acceptance Trigger –** Per our understanding of the Resolution, as well as discussion in the Administrative Law Judge filing dated June 16, 2022[14], we do not believe that the Acceptance Trigger criteria is applicable to the 2022 SOC Pilot and only applicable to the Partnership Pilot solicitation.
- **SOC Price Sheet –**
  - **Qualitative Analysis:** Did bidders tend to bid at the same price? If not, what was the standard deviation?
  - **Answer:** In 2021, [redacted] bids [redacted] came in at under the deferral value of $7,971,000. Since there

[14] Section 3.1 of the Administrative Law Judge filing dated June 16, 2022, in Rulemaking 21-06-017.

were [redacted]

- **Quantitative Analysis:** Price points and deferral value, number of bidders at each.
- **Answer:** In 2021, the deferral value for the grid need was calculated by PG&E at $7,971,000, and the [redacted]. In 2022, the deferral value for the grid need was calculated by PG&E at $2,887,108 and the [redacted]

The following additional factors contributed to our decision:

- In 2021, out of a total potential participant pool of >2,500, [redacted] submitted bids into the SOC solicitation out of one (1) grid need and none were selected due to the identification of an incremental MW capacity need where a non-wires solution would not have been feasible
- In 2022, out of a total potential participant pool of >2,500, only [redacted] submitted a single bid into the SOC solicitation out of one (1) grid need. As of the writing of this report, the contract has yet been signed, however, the bid has passed the conformance check and the quantitative evaluation
  - Separately, only [redacted] submitted Non-Disclosure Agreements (NDAs) to participate in the solicitation
  - We assume that the SOC contract will be signed, given that it has passed the conformance check and quantitative evaluation so there is some success in this procurement

PA understands that the SOC Pilot framework was intended to test if offering a standard contract to bidders in the DIDF process would help increase participation in the overall DIDF process. Given the low participation in PG&E's SOC Pilot solicitations and the additional administrative burden, including cost, time, and effort on behalf of PG&E staff, PA believes that the SOC Pilot in its current framework should be off-ramped. There are likely other variables affecting participation rates in the overall DIDF process that have not yet been tested or are not currently being tested by the SOC Pilot and Partnership Pilot programs. As such, PA recommends that the Commission either:

1) Return to the DIDF RFO being the focus where grid need locations offered in the SOC Pilot are instead offered through the DIDF RFO. Stakeholders could spend additional upfront time to review the process, identify areas to streamline contract negotiations (as applicable), and continue to identify and enable different solutions for deferral opportunities to further enhance participation.
2) Identify other variables to test through the launch of future pilot program(s) under the DIDF framework to increase participation in the DIDF programs. For example, the Commission could consider launching a future pilot program that tests if making IOU owned land available to developers at grid need locations would enable increased participation in the DIDF programs.

Our recommendations are based off our observation that participation does not appear to be improved in the SOC Pilot program over the traditional DIDF RFO.

11 Appendices

11.1 Appendix A – Email from PG& E to Procurement Review Group

From: PGE PRG Mailbox <PGEPRG@pge.com>
Sent: Tuesday, January 31, 2023 9:03:50 PM
To: [redacted]
Cc: [redacted]
Subject: PG&E PRG Information | PG&E's 2022 DIDF RFO & SOC Proposed Shortlist

Subject: PG&E PRG Information | PG&E's 2022 DIDF RFO & SOC Proposed Shortlist

Classification: Confidential

Confidential Protected Material
Not for Public Disclosure
** Do Not Forward **

Procurement Review Group,

As a reminder, the 2022 DIDF RFO and SOC Contract Solicitations were issued on 09/15/2022. The purpose of this presentation is to provide the PRG additional information on DIDF RFO/SOC Contracts Solicitation.

If you have any questions or comments, please contact Jay Bukowski (jbbi@pge.com) or Pauline Cheng (ppc6@pge.com) by EOB February 8, 2023.

Pauline Cheng

11.2 Appendix B – Relevant data from the IE Report on PG&E's Fall 2021 DIDF SOC Tariff Pilot Solicitation

Data	Description
# of SOC Needs	One need located at Vierra Bank 3, from 2-3 MW with online date of 5/1/2024

Data	Description
SOC Timeline	• Issue RFO and SOC Pilot – Sept 15, 2021 • Participants Webinar – Sept 24, 2021 • Offers Due (Original) – Nov 4, 2021 • Offers Due (Modified) – Jan 5, 2022 • PG&E notifies selected Participants that their Offer(s) will be included on a list of Offers for which PG&E may seek to enter into an Agreement (Original) – Nov 19, 2021 • PG&E notifies selected Participants that their Offer(s) will be included on a list of Offers for which PG&E may seek to enter into an Agreement (Modified) – Jan 21, 2022 • Participants notify PG&E whether they accept their status and acknowledge acceptance of the Confidentiality Agreement (Original) – Nov 26, 2021 • Participants notify PG&E whether they accept their status and acknowledge acceptance of the Confidentiality Agreement (Modified) – Jan 28, 2022 • Execute Transactions (Original) – Jan 3, 2022 • Execute Transactions (Modified) – Mar 1, 2022 • File Transactions at CPUC (Original) – Jan 17, 2022 • File Transactions at CPUC (Modified) – Mar 14, 2022
Market Notice of SOC	Notice released to > 2,500 participants on 8/16/2021, indicating SOC Pilot release will be issued on 9/15/2021
# of Projects Bid into SOC	[redacted]
# of Projects Contracted for SOC	Zero projects, as the Vierra Bank 3 need increased to approx. 10 MW based on further analysis and a non-wires solution was determined no longer to be feasible
# of DIDF Needs	Six grid needs, as follows: • Mormon Bank 2 – total of >1 MW across two banks with online date of 6/1/2025 • Ripon 1705 – total of > 4.5 MW across two banks with online date of 6/1/2024 • French Camp Bank 1 – confidential MW need with online date of 5/1/2024 • Lakeview 1110 – confidential MW need with online date of 5/1/2024 • Newhall Bank 3 – confidential MW need with online date of 6/1/2024 • Saratoga 1102 – confidential MW needs with online date of 5/1/2026
DIDF Timeline	• Issue RFO and SOC Pilot – Sept 15, 2021 • Participants Webinar – Sept 29, 2021 • Offers Due – Nov 17, 2021 • PG&E notifies selected Participants that their Offer(s) will be included on a list of Offers for which PG&E may seek to enter into an Agreement– Dec 1, 2021 • Participants notify PG&E whether they accept their status and acknowledge acceptance of the Confidentiality Agreement – Dec 8, 2021 • Execute Transactions – Feb 21, 2022 • File Transactions at CPUC– Mar 15, 2022
Market Notice of DIDF	Notice released to > 2,500 participants on 8/16/2021, indicating DIDF release will be issued on 9/15/2021
# of Projects Bid into DIDF	[redacted] projects bid-in, across IFM Energy Storage, BTM Energy Storage, BTM DG / Energy Storage for a total of [redacted] MW
# of Projects Contracted for DIDF	One project contracted for DIDF

11.3 Appendix C – List of Acronyms and Abbreviations

BTM – Behind-The-Meter

CA – Confidentiality Agreement

COD – Commercial Operations Date

CPUC – California Public Utilities Commission

D. - Decision

DCFC – Direct Current Fast Charging

DER – Distributed Energy Resources

DIDF – Distribution Investment Deferral Framework

DPAG - Distribution Planning Advisory Group

GNA - Grid Needs Assessment

GRC – General Rate Case

IE – Independent Evaluator

IFM – In-Front-Of-The-Meter

IOU – Investor-Owned Utilities

IPE – Independent Professional Engineer

LNBA – Locational Net Benefit Analysis

MW - Megawatt

MWh – Megawatt-Hour

PA – PA Consulting, Inc.

PG&E – Pacific Gas & Electric

PP – Partnership Pilot

R. - Resolution

RFO – Request for Offer

SOC – Standard Offer Contract

11.4 Appendix D – DIDF and SOC Calculations

PA 2022 DIDF RFO Re-Calculation below, and further documented in the file ("Bid Reconciliation_PGandE Bid 1_DIDF_Updated.xlsx"):

PA 2022 Example DIDF RFO Re-Calculation

San Joaquin Bank 1	
2.39	MW
1,000	MW to kW conversion
2,390	**kW**
3	month(s)
7,170	**kW-month**

San Joaquin 1106	
1.16	MW
1,000	MW to kW conversion

1,160	**kW**
2	month(s)
2,320	**kW-month**

Stroud Bank 1	
[redacted]	MW
1,000	MW to kW conversion
[redacted]	**kW**
1	month(s)
[redacted]	**kW-month**

TOTAL (calculated using 2022 as first year)	
10,380	total kW-month
[redacted]	$ / kW-month
[redacted]	**Annual Cost**
7	# of periods
6.77%	discount rate
[redacted]	[redacted]

DEFERRAL VALUE PER PG&E	
$8,708,319	San Joaquin Bank 2 Deferral Cost
[redacted]	[redacted]
[redacted]	[redacted]

Is offer < deferral value?	**Yes**

TOTAL (calculated using 2023 as first year)	
[redacted]	total kW-month
[redacted]	$ / kW-month
[redacted]	**Annual Cost**
7	# of periods
6.77%	discount rate
[redacted]	**Net Present Value of Offer #1**

DEFERRAL VALUE PER PG&E	
$8,708,319	San Joaquin Bank 2 Deferral Cost
[redacted]	[redacted]
[redacted]	**Difference**

Is offer < deferral value?	**Yes**

PA 2022 SOC Pilot Recalculation below, and further documented in the file ("Bid Reconciliation_PGandE White Pine_Updated_SOC.xlsx"):

PA 2022 Example SOC Pilot Re-Calculation

Blackwell Bank 1	
[redacted]	MW

1,000	MW to kW conversion
[redacted]	**kW**
3	month(s)
[redacted]	**kW-month**

TOTAL (calculated using 2022 as first year)	
[redacted]	total kW-month
[redacted]	$ / kW-month
[redacted]	**Annual Cost**
7	# of periods
6.77%	discount rate
[redacted]	[redacted]

DEFERRAL VALUE PER PG&E	
$2,887,108	Deferral value of Blackwell Bank 1
[redacted]	[redacted]
[redacted]	[redacted]

Is offer < deferral value?	**Yes**

TOTAL (calculated using 2023 as first year)	
[redacted]	total kW-month
[redacted]	$ / kW-month
[redacted]	**Annual Cost**
7	# of periods
6.77%	discount rate
[redacted]	[redacted]

DEFERRAL VALUE PER PG&E	
$2,887,108	Deferral value of Blackwell Bank 1
[redacted]	[redacted]
[redacted]	**Difference**

Is offer < deferral value?	**Yes**

11.5 Appendix E – PA identified questions during DIDF and SOC review process

11.5.1 Appendix E - DIDF Questions

PA independently reviewed [redacted] using the defined DIDF criteria, and identified multiple questions, including the following which have been edited for clarity:

[redacted]

[redacted]

11.5.2 Appendix E - SOC Questions

PA independently reviewed [redacted] using the adopted DIDF criteria, and identified multiple questions, documented below which have been edited for clarity. Per PG&E, these questions did not determine the conformity of the bid, but rather provided additional qualitative information:

- **Technology:** There is ambiguity here, the proposed bid indicates that it is BESS. Is the battery proposed Lithium Ion or a separate technology? It is unclear.
- **Permitting:** Milestone schedule includes a 4/15 date for filing discretionary agency permit applications, but this does not have the level of detail of the specific permits or environmental reviews required.
- **Site Control:** They do not currently have site control, and more information would be needed to determine if they have the ability to achieve site control.
- **Procurement:** There is little information on their procurement practices and their ability to procure the equipment necessary to achieve COD. Would prefer additional detail there, e.g., do they have supply contracts with module, inverter, battery producers? What vendors will they purchase from?

11.6 Appendix F – Overview of PG&E's Annual Grid Needs Assessment Process

The PG&E team performs an Annual Grid Needs Assessment ("GNA") process. Planning is performed in the following yearly increments: 3 years for line section needs, 5 years for feeder needs and 10 years for broader needs.

The Grid Needs are classified into four categories:
(1) Resiliency
(2) Capacity
(3) Reliability (Back-tie)
(4) Voltage

Historically, the PG&E team indicated that most identified services are for capacity and that ultimate selections are generally technology agnostic if the provider can contractually meet the needs that they are committing to in the solicitations. When publishing the information of the GNA, PG&E respects client confidentiality and redacts load related information if one customer makes up >15% of total consumption, or there are < 100 residential customers downstream, or <15 non-residential customers downstream (this is also known as the "15-15" rule). As such, a lot of information included publicly is redacted, but this information is available in detail for participants that sign Confidentiality Agreements ("CA").

In 2022, the PG&E team identified 489 total grid needs:

- 449 of which are for capacity
- 0 for voltage support
- 22 for reliability
- 18 for resiliency

Of these 489 total grid needs, 231 projects are planned investments that have been included in PG&E's General Rate Case ("GRC") filing. Of these 231 planned investments, 18 projects have been identified that *could* be candidates for distribution deferral based on a screening process, which was done by performing a:

- Technical Screen - a technical determination if DERs can satisfy the specific grid need, and
- Timing - if the operating date of the planned investment is within or after 2025

Of these 18 projects, three additional criteria were applied to categorize the projects into Tiers (I, II, II)

- Cost Effectiveness *(i.e., is it possible to invest in a DER solution cheaper than the planned investment?)*
- Forecast Certainty *(i.e., is there a high degree of confidence in PG&E's latest forecast based on other items that may impact this, such as proximity to highways for Direct Current Fast Charging ("DCFC")?)*
- Market Assessment *(i.e., what are the number of grid needs? Are there real-time requirements that may make the project infeasible?)*

If there is a FLAG (i.e., a Red Flag) in any one of these criteria, this would exclude them from being included in the future solicitations. Asset health was also considered an important flag, as some substations may have deterioration and need replacement anyways

Resulting from this application of Tiers, PG&E identified 7 projects in Tier 1, 2 projects in Tier 2, and 9 projects in Tier 3.

The Tier 1 projects were sorted into procurements as follows:

- 1 project for Standard Offer Contract ("SOC")
- 3 projects for Distribution Investment Deferral Framework ("DIDF") RFO
- 3 projects for Partnership Pilot ("PP"), which was not included in this IE evaluation

The IE was not asked to attest to the accuracy of the calculations or process used within the GNA. Accordingly, an Independent Professional Engineer ("IPE") performed a 24-step verification process to review the information and data used. The IPE performed an additional sensitivity analysis to look at the cost effectiveness of Tier II and Tier III projects based on adjustments to capital costs.

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SOUTHERN CALIFORNIA EDISON COMPANY

SCE IDER Partnership Pilot
for the 2021-2022 DIDF Cycle

Prepared for California Public Utilities Commission

March 24, 2023

Independent Evaluator Report

Prepared By:

MERRIMACK
ENERGY GROUP, INC.

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1 INTRODUCTION

1.1 OVERVIEW

On January 18, 2022, Southern California Edison Company ("SCE" or "Company") issued its 2022 Integrated Distributed Energy Resources ("DER") Partnership Pilot solicitation seeking reservation offers ("Offers") from pre-qualified aggregators that have passed the prescreening process and have been accepted by SCE to participate, pursuant to California Public Utilities Commission ("CPUC") Decision D.21-02-006. The qualifying Products must be new or incremental behind-the-meter ("BTM") distributed energy resources ("DER") to provide energy savings for the purpose of deferring traditional upgrades to SCE's distribution network. SCE will procure up to one hundred twenty percent (120%) of the deferral requirement for risk mitigation.

Decision D.18-02-004 requires SCE to undertake incremental procurement of DERs that are cost-effective or have a positive Net Present Value ("NPV"), relative to any traditional distribution upgrade project. Per CPUC Decision D.21-02-006 issued on February 12, 2021, SCE was directed to test two frameworks for procuring distributed energy resources to avoid or defer utility distribution investments: 1) a three-year standard offer contract pilot for procuring distributed energy resources to defer distribution investments with a contract based on the current Technology Neutral Pro Forma contract; and 2) a five-year distributed energy resources distribution investment deferral tariff pilot called the Partnership Pilot.

1.2 REGULATORY BACKGROUND

On August 14, 2014, the Commission instituted Rulemaking (R.) 14-08-013 to establish policies, procedures, and rules to guide the California investor-owned utilities (IOUs) in developing their Distribution Resources Plan (DRP) proposals. This rulemaking also established new policies to evaluate the IOUs' existing and future electric distribution infrastructure and planning procedures with respect to incorporating DERs into the planning and operations of their electric distribution systems.

On February 15, 2018, the Commission issued Decision D.18-02-004 on Track 3 Policy Issues, sub-track 1 (Growth Scenarios) and sub-track 3 (Distribution Investment and Deferral Process). Decision D.18-02-004 adopted an annual DIDF process for SCE to procure incremental distributed energy resources ("DER") that are cost-effective or have a positive Net Present Value ("NPV"), relative to any traditional distribution upgrade project. The decision also

directed the IOUs to file a Grid Needs Assessment ("GNA") by June 1 of each year, and a Distribution Deferral Opportunity Report ("DDOR") by September 1 of each year to be vetted by the Distribution Planning Advisory Group ("DPAG"). Subsequently, on May 2019, assigned Administrative Law Judge (ALJ) Mason issued a Ruling (May 2019 Ruling) modifying the DIDF process. One notable modification was the new August submission date for both the GNA and DDOR reports.

On May 11, 2020, and subsequently modified June 12, 2020, the Commission issued an ALJ ruling that expanded the requirements of the GNA and DDOR and made modifications to the role of the DPAG and IPE, hereafter referred to as the May 2020 ruling. The CPUC's May 2020 ALJ Ruling contained updated requirements for the IEs overseeing the IOUs' annual DIDF RFOs, including a requirement for an annual IE Post-RFO Comparison Report which would cover the following topics:

1. Compare the RFO materials of the IOUs that issued RFOs,
2. Evaluate compliance with CPUC requirements,
3. Compare RFO outcomes,
4. Track RFO outcomes over time, and
5. Make recommendations for best practices, standardization, RFO improvements, and associated DIDF reforms.

On February 12, 2021, the Commission issued D.21-02-006, adopting the Partnership Pilot, Standard Offer Contract (SOC) Pilot, and modifications to the DIDF RFO. In D.21-02-006, the Commission also updated the May 2020 ruling's Reform 40 to also require utilities to submit an Advice Letter seeking approval to exclude other planned investments from their DIDF RFO and Pilots.

The Partnership Pilot is a five-year pilot for BTM distributed energy resources where the IOU partners with aggregator(s) to enroll new and existing DER customers to meet one or more grid need(s). Decision D. 21-02-006 directed SCE to launch the Partnership Pilot for at least one Tier 1 and two Tier 2 or Tier 3 deferral projects as identified in SCE's distribution planning process.

There are several areas where the Partnership Pilot differs from DIDF RFOs:

- The Partnership Pilot is limited to Behind the Meter DERs.
- The cost cap (deferral value), tiered budget and $/kWh values for the identified deferral projects is disclosed to bidders in price sheets.

- Aggregators will not submit bid offers, but instead submit deferral savings offer reservations.
- Generally, offers that help meet at least 90% of the deferral need may be accepted.
- The Purchase and Sale Agreement is "standardized" and no negotiations are allowed.

On January 27, 2022, the CPUC issued Resolution E-5190, which approved with modifications, the evaluation criteria for the Partnership Pilot and Standard Offer Contract Pilot pursuant to Decision D.21-02-006. Ordering Paragraphs 5 and 6 required an Energy Division-led process for establishing evaluation criteria for the SOC Pilot and Partnership Pilot. Per the decision, evaluation of the pilots will occur during annual reviews with midstream evaluations and final evaluations occurring during the annual DIDF reform process. The approved evaluation criteria for the pilots include:

- Success, performance, and off-ramp criteria
- Annual data reporting milestones, including:
    - Independent Evaluator DIDF/SOC RFO Reports[1]

Resolution E-5190 adopted a timeline for the pilot evaluation activities that aligns with the annual DIDF reform process which modified the DIDF schedule previously established in the June 21, 2021, Ruling in R.14-08-013. Therefore, the annual reforms process will now address reforms to the Partnership Pilot and the SOC, in addition to the DIDF process. Resolution E-5190 requires that each IOU's IE will submit the following reports as part of the pilot evaluation process:

- IE DIDF RFO/SOC Contract Report
- IOU and IE Annual Partnership Pilot Evaluation Report
- IE Mid-Stream Partnership Pilot Evaluation Report

Attachment B to Resolution E-5190 provided a full outline of the timelines for each activity under the DIDF/SOC processes and the Partnership Pilot. On June 16, 2022, the ALJ Ruling recommended reforms for the DIDF process, the Partnership Pilot, and the SOC Pilot, which included an updated timeline of activities to be completed. After subsequent modifications to the DPAG Schedule for the 2022/2023 DIDF Cycle, Table 1 provides an overview of the DPAG activities timeline, focusing on the solicitation processes and IE requirements:

[1] This report is the same as identified in the May 11, 2020, DIDF Ruling under the Independent Evaluator scope of work (R.14-08-013, May 11, 2020, Ruling, Appendix C) but with the addition of the SOC.

Table 1: 2022-2023 DIDF Cycle Schedule

Activity	Date
Utilities Submit DIDF Procurement Status Report (every 6 months)	May 15, 2022
Pre-Screening period for Partnership Pilot	July 15, 2022 to August 15, 2022
Utility GNA/DDOR Filings	August 15, 2022
Utilities Launch DIDF RFO and SOC Pilot	September 15, 2022
Advice Letter for approval to launch subscription period for Partnership Pilot	November 15, 2022
Advice Letter for approval to not launch RFOs/SOCs/Partnership Pilot for remaining candidate deferral opportunities in GNA/DDOR filings	November 15, 2022
SCE final and complete 2022 GNA/DDOR filing	January 13, 2023
Utilities launch second round of RFOs or SOCs	January 15, 2023
Utilities launch Partnership Pilot Subscription Periods	January 15, 2023
IOU presentation to Procurement Review Group of RFO/SOC shortlist	January 2023
IOU Annual Partnership Pilot Evaluation Reports	March 15, 2023
IE DIDF RFO/SOC Reports Due	March 15, 2023
IE Annual Partnership Pilot Evaluation Report	March 25, 2023
DIDF and Pilots Reform Ruling	May 2023
IE Post-Procurement Utility Comparison Report Due	August 1, 2023

1.3 SOLICITATION AND PROJECT DETAILS

For the 2021-2022 DIDF cycle, three traditional distribution infrastructure upgrade projects were identified for deferral needs in the first cycle of the Partnership Pilot solicitation through the Distribution Deferral Opportunities Report ("DDOR") process. The projects must be located within SCE's territory, specifically connecting to a load, circuit, or lower-voltage substation in SCE's distribution system that electrically connects to one of the following substations or circuits:

- New Circuit at El Casco Substation Project (Beaumont & Calimesa, CA)
  - Jonagold 12 kV circuit out of the El Casco 115/12 kV substation
- Shawnee Transformer Upgrade Project (Garden Grove, Huntington Beach, Los Alamitos, Seal Beach, Westminster, & Stanton CA)
  - Shawnee 66/12 kV substation
- Santa Clara-Colonia 66 kV Sub-transmission Line Rebuild (Oxnard & Camarillo, CA)
  - Colonia 66/16 kV substation

SCE has made available an online interactive map for Offerors called the Distribution Resources Plan External Portal ("DRPEP"), which includes the locations of SCE distribution circuits, substations, system voltage, available

capacity, and customer information.

Table 2, as provided in Attachment C of the IDER Partnership Pilot Instructions, gives the high-level details of the operational requirements of the three 2022 Partnership Pilot projects.

Table 2: Partnership Pilot Projects Overview

Project Name	Need Area	Deferral Value	Season	Need Days	Initial Delivery Date	Max. Capacity Need (MW) through 2031	Max. Energy Need (MWh) through 2031
El Casco	Jonagold Circuit	$377,394	Summer	Monday-Sunday	June 1, 2024	0.4	0.7
Shawnee	Shawnee Substation	$971,949	Summer	Monday-Friday	June 1, 2024	6.9	34.8
Colonia	Colonia Substation	$13,537,751	Summer	Monday-Friday	June 1, 2025	22.3	172.6

The following tables, Table 3 through Table 5, outline each deferral project's deferral year, capacity needs, energy needs, monthly frequency, and annual frequency for each circuit as originally outlined in the IDER Partnership Pilot Instructions. To successfully defer any project, all specific current needs must be met. Table 2 details the project needs for the El Casco 115/12 kV project.

Table 3: El Casco 115/12kV Project Need Details

Year	Capacity (MW)	Energy Need (MWh)	Season	Monthly Frequency	Yearly Frequency
2022	0.0	0.0	-	0	0
2023	0.0	0.0	-	0	0
2024	0.1	0.1	Summer	5	15
2025	0.3	0.6	Summer	5	15
2026	0.4	0.7	Summer	5	15
2027	0.4	0.6	Summer	5	15
2028	0.3	0.5	Summer	5	15
2029	0.3	0.3	Summer	5	15
2030	0.3	0.4	Summer	5	15
**DER should be available 7-days per week*					

Table 4: Shawnee 66/12kV Project Needs Details

Year	Capacity (MW)	Energy Need (MWh)	Season	Monthly Frequency	Yearly Frequency
2022	0.0	0.0	-	0	0
2023	0.0	0.0	-	0	0
2024	6.9	27.4	Summer	5	0
2025	6.9	31.5	Summer	6	15
2026	6.9	25.5	Summer	5	15
2027	6.8	26.5	Summer	5	15
2028	6.7	34.8	Summer	5	15
2029	6.7	21.5	Summer	5	15
2030	6.7	26.0	Summer	5	15
**DER need Monday through Friday only*					

Table 5: Santa Clara-Colonia 66 kV Project Need Details

Year	Capacity (MW)	Energy Need (MWh)	Season	Monthly Frequency	Yearly Frequency
2022	0.0	0.0	-	0	0
2023	0.0	0.0	-	0	0
2024	0.0	0.0	-	0	0
2025	3.0	11.6	Summer	5	15
2026	10.9	70.9	Summer	13	50
2027	19.3	120.2	Summer	24	140
2028	20.1	158.7	Summer	24	145
2029	22.2	160.3	Summer	28	185
2030	22.3	172.6	Summer	24	135
**DER need Monday through Friday only*					

The peak hourly needs are further detailed in Attachment C of the Partnership Pilot Instructions.

Attachment E of the Partnership Pilot Instructions includes details about the payment structure for each project, including specific payment amounts by Tranche. The tariff budget is set at 85% of the cost cap of the planned investment based on the Simple Pricing Method, which is then divided into three payment tiers:

1. Deployment (20%) – Utilities would pay providers to install distributed energy resources solutions and commit to dispatch. Only newly installed DERs are eligible to receive the Deployment payment.
    a. Invoiced at the Project Completion Date

2. Reservation (30%) – Utilities would pay providers to reserve specific amounts of capacity and energy during the specified timeframe.
    a. Invoiced at Initial Delivery Date
3. Performance (50%) – Utilities would pay providers when resources are dispatched according to contracted criteria.
    a. Invoiced at the end of the contract term

The reservation and performance payments will only be made if contracts with aggregators cumulate to at least 100% of the capacity needed to defer the planned distribution infrastructure, up to 120% of the capacity need.

Table 6 includes high-level information for the project including the deferral value, which is defined as the real economic carrying charge of deferring the revenue requirement associated with the traditional capital investment. Through the Partnership Pilot, the net cost of DER solutions is compared to the deferral values of the traditional upgrade and needs to be cost-effective relative to the deferral value in order to be selected.

Table 6: Tranche 1 - Deferral Project Payment Amount

Project Name	Tariff Budget (Nominal $)	120% Procurement Goal (kWh)	Deployment Payment ($/kWh)[2]	Reservation Payments ($/kWh)	Performance Payment ($/kWh)
El Casco – Jonagold Circuit	$12,130	120	$0.13213	$0.19820	$0.33033
Shawnee	$173,834	32,880	$0.00970	$0.01455	$0.02425
Santa Clara - Colonia	$255,891	13,920	$0.03342	$0.05014	$0.08356

On January 18, 2022 SCE launched the 2022 Partnership Pilot solicitation. The RFO schedule is outlined in Table 7.

Table 7: RFO Schedule

Event	Date
Tranche 1 Subscription Period Launch	January 18, 2022
Aggregator Informational Web-Conference	January 21, 2022
Reservation Period End Date[3]	14 business days after Offer Reservation Form submittal

[2] Only new DERs being installed are eligible to receive a deployment payment.
[3] Once an aggregator's Partnership Pilot reservation form is received by SCE, the affidavit process is initiated and all required documentation referenced in Attachment B of the Partnership Pilot Instructions must be submitted within 14 business days.

Tranche 1 El Casco Subscription Period End Date	December 1, 2022
Tranche 1 Shawnee Subscription Period End Date	December 1, 2022
Tranche 1 Santa Clara/Colonia Subscription Period End Date[4]	December 1, 2023

As noted in the solicitation Instructions, SCE reserves the right to add, remove, or revise any RFO event date. The schedule was revised several times throughout the process, which is described later in this report.

In the 2022 IDER Partnership Pilot Instructions document, SCE listed a number of requirements and preferences to inform prospective Participants of the requirements for competing in the procurement process. A summary of the key provisions of the Instructions is provided in Table 7.

Table 7: Provisions of the 2022 Partnership Pilot

2022 Partnership Pilot Requirements	General Process and Requirements
Resource Needs	SCE is soliciting new or otherwise incremental eligible Behind the Meter resources to provide Renewable Energy and/or Energy Storage (as applicable for each Product), with the exception of resources that utilize natural gas and/or biofuel, for purposes of deferring upgrades to SCE's distribution network.
Agreement Types	SCE is only seeking third-party owned projects for the deferral project. The objective of this RFO is to execute contracts that are substantially the same in form and substance as the PSA. There will be no opportunity for Offerors to negotiate any of the terms and conditions of the PSA prior to execution. If the Participant's offer is selected, the Participant will be offered a contract in the form of the PSA with only those changes necessary to reflect the project specifics.
General Eligibility Requirements	SCE is seeking new or incremental resources to meet the needs of applicable circuits and defer the distribution upgrades. Offers must meet the minimum requirements listed below: ***1) Vintage*** – New build (not existing or repowered) or otherwise incremental to existing installations; ***2) Technology*** – Proven, commercially available technology that is scalable to the project size (not in experimental, research, demonstration, or development stages), as determined in SCE's sole discretion; ***3) Incrementality*** – Incremental offers consistent with the principles adopted by the CPUC in D.16-12-036, including ensuring that customers do not pay twice for the same service; ***4) Products*** – Only the products the aggregator was pre-qualified for in the prescreening process will be accepted.

[4] The Subscription Period will end either when 120% of the need has been met or the Subscription Period End Date has been reached, whichever occurs first. SCE may, in its sole discretion, extend the date of the Subscription Period End Date.

Offer Submittal Process	All offers for this solicitation must be submitted electronically through the Proposal Evaluation & Proposal Management Application ("PEPMA") website.
Offer Package	All offers must contain all required information and must be organized in accordance with the instructions listed in the IDER Partnership Pilot Instructions. Required uploads for all offers includes: 1. SCE's Partnership Pilot Offer Reservation Form 2. Customer Affidavit to Express Interest in Partnership Pilot form 3. Customer Affidavit Summary Sheet 4. Offer Workbook(s) 5. MUA Services Questionnaire 6. Non-Disclosure Agreement
Development Security and Performance Assurance	The PSA requires collateral to be posted for Development Security ("DS") and Performance Assurance ("PA") in accordance with the table in the IDER Partnership Pilot Instructions: • El Casco: PA & DS rate of $0.13213/kWh • Shawnee: PA & DS rate of $0.00970/kWh • Colonia: PA & DS rate of $0.03342/kWh

1.4 SCE'S DIDF PROGRAM TRACKING

The first Distribution Investment Deferral Framework ("DIDF") solicitations were in 2018 and the most recent solicitations launched September 15, 2022. The outcomes of SCE's previously held DIDF solicitations are detailed in Table 8.

Table 8: SCE DIDF Solicitation Tracking

Cycle	IDER/RFO/ SOC/PP	Deferral Project Location	Circuit Name	Max. Capacity Need (MW)	Max. Energy Need (MWh)	Solicitation Outcome	Status of Contract
2017/2018	IDER	Eisenhower	Eisenhower	2.54	4.62	Selection Made - Project Operational - Deferred	Active
2017/2018	IDER	Eisenhower	Desert Outpost	1.26	5.15	Selection Made - Project Operational - Deferred	Active
2017/2018	IDER	Newbury	Belpac	1.47	4.17	Selection Made - Project Operational - Deferred	Active
2017/2018	IDER	Newbury	Hooligan	2.84	12.22	Selection Made - Contract Terminated	Inactive

2017/2018	IDER	Newbury	Intrepid	1.91	4.36	Selection Made - Contract Terminated	Inactive
2018/2019	RFO	Sun City	Sun City Substation	9.6	37.52	No Projects Selected	-
2018/2019	RFO	Sun City	Equinox Circuit	7.5	61.55	No Projects Selected	-
2018/2019	RFO	Sun City	Bradley Circuit	4.8	29.42	No Projects Selected	-
2018/2019	RFO	Sun City	Lusk Circuit	1.8	7.62	No Projects Selected	-
2018/2019	RFO	Mira Loma	Brewer Circuit	3.1	30.96	No Projects Selected	-
2018/2019	RFO	Mira Loma	Matterhorn Circuit	1.2	5.28	No Projects Selected	-
2019/2020	RFO	Elizabeth Lake #1	Saugus-Elizabeth Lake-MWD Foothill 66kV Sub-transmission Line	6.8	18.4	Selection Made - Project In Developme nt	Active
2019/2020	RFO	Elizabeth Lake #2	Saugus-Colossus-Lockheed-Pitchgen 66kV Sub-transmission Line	7.8	23.4	Selection Made - Project In Developme nt	Active
2019/2020	RFO	Eisenhower 115/33kV Substation	Crossley 33kV Circuit	2.5	4.3	No Projects Selected	-
2019/2020	RFO	Saugus-Newhall	Newhall 66/16 kV	12.5	39.6	No Projects Selected	-
2019/2020	RFO	Alessandro 115/12kV Substation	Elsworth 12 kV	1.8	9.8	No Projects Selected	-
2019/2020	RFO	Alessandro 115/12kV Substation	Fantastico 12 kV	1.9	6.4	No Projects Selected	-
2019/2020	RFO	Alessandro 115/12kV Substation	Kingsway 12 kV	0.3	0.6	No Projects Selected	-
2019/2020	RFO	Pechanga 115/12kV Substation	Lazaro 12 kV	0.7	0.7	No Projects Selected	-
2019/2020	RFO	Pechanga 115/12kV Substation	Matera 12 kV	0.2	0.5	No Projects Selected	-
2019/2020	RFO	Pechanga 115/12kV Substation	Noche 12 kV	1	2	No Projects Selected	-
2020/2021	RFO	Sun City	Goetz 12kV	3	15.2	No Projects Selected	-

2020/2021	RFO	Sun City	Harnage 12kV	0.4	0.4	No Projects Selected	-
2020/2021	RFO	Sun City	Oakdale 12kV	1.8	6.1	No Projects Selected	-
2020/2021	RFO	Elizabeth Lake	Guitar 16kV	1.3	4.9	No Projects Selected	-
2020/2021	RFO	Elizabeth Lake	Oboe 16kV	2.1	12.3	No Projects Selected	-
2021/2022	PP	El Casco	Jonagold 12kV Circuit	0.4	0.7	No Reservations	-
2021/2022	PP	Shawnee Transformer Upgrade	-	6.9	31.5	No Reservation	-
2021/2022	PP	Santa Clara - Colonia Substation	-	22.3	172.6	In Progress	-
2021/2022	SOC	Eisenhower 115/33kV Substation	Crossley 33kV Circuit	2.9	8.5	No Projects Selected	-
2021/2022	RFO	-	-	-	-	No Solicitation	-

2 DESCRIPTION OF THE ROLE OF THE IE

2.1 REGULATORY REQUIREMENTS FOR THE IE

The requirements for participation by an IE in utility solicitations are outlined in CPUC Decisions ("D").04-12-048 (Findings of Fact 94-95, Ordering Paragraph 28), D.06-05-039 (Finding of Fact 20, Conclusion of Law 3, Ordering Paragraph 8) of the CPUC, D.09-06-050 and D.10-07-042.

The role of IEs in California IOU procurement processes has evolved over the past seventeen to eighteen years. In D.04-12-048 (December 16, 2004), the CPUC required the use of an IE by investor-owned utilities (IOUs) in resource solicitations where there is an affiliated bidder or bidders, or where the utility proposed to build a project or where a bidder proposed to sell a project or build a project under a turnkey contract that would ultimately be owned by a utility. The CPUC generally endorsed the guidelines issued by the Federal Energy Regulatory Commission ("FERC") for independent evaluation where an affiliate of the purchaser is a bidder in a competitive solicitation but stated that the role of the IE would not be to make binding decisions on behalf of the utilities or administer the entire process[5]. Instead, the IE would be consulted by the IOU, along with the Procurement Review Group ("PRG") on the design, administration, and evaluation aspects of the Request for Proposals ("RFP"). The Decision identifies the technical expertise and experience of the IE with regard to industry contracts, quantitative evaluation methodologies, power market derivatives, and other aspects of power project development. From a process standpoint, the IOU could contract directly with the IE, in consultation with its PRG, but the IE would coordinate with the Energy Division.

In D.06-05-039 (May 25, 2006), the CPUC required each IOU to employ an IE regarding all RFPs issued pursuant to the RPS, regardless of whether there are any utility-owned or affiliate-owned projects under consideration. This was extended to any long-term contract for new generation in D.06-07-029 (July 21, 2006). In addition, the CPUC directed the IE for each RFP to provide separate reports (a preliminary report with the shortlist and final reports with IOU advice letters to approve contracts) on the entire bid, solicitation, evaluation and selection process. Reports would then be submitted to the utility, PRG, and CPUC, and be made available to the public (subject to confidential treatment of protected information).

[5] Decision 04-12-048 at 129-37. The FERC guidelines are set forth in Ameren Energy Generating Company, 108 FERC ¶ 61,081 (June 29, 2004).

In 2007, the use of an IE was required for any competitive solicitation seeking products for a term of more than three months in D.07-12-052 (December 21, 2007). Also, the process for retaining IEs was modified substantially, with IOUs developing a pool of qualified IEs, subject to feedback and any recommendations from the IOU's PRG and the Energy Division, an internal review process for IE candidates, and final approval of IEs by the Energy Division.

In 2008, in D.08-11-008, the CPUC changed the minimum term requirement from three months to two years and reiterated that an IE must be utilized whenever an affiliate or utility bidder participates in the RFO, regardless of contract duration.

In D.09-06-050 issued on June 18, 2009 in Rulemaking 08-08-009, Order Instituting Rulemaking to Continue Implementation and Administration of California Renewable Portfolio Standard Program, the CPUC required that bilateral contracts should be reviewed according to the same processes and standards as contracts that come through a solicitation. This includes review by the utility's PRG and its IE, including a report filed by the IE.

In D.10-07-042 issued on July 29, 2010, the Commission reaffirmed the role of the IE and required the Energy Division to revise the IE Template to ensure that the IEs focus on their core responsibility of evaluating whether an IOU conducted a well-designed, fair, and transparent RFO for the purpose of obtaining the lowest market prices for ratepayers, taking into account many factors (e.g. project viability, transmission access, etc.).

This IE report is submitted in conformance with the above requirements.

2.2 DESCRIPTION OF KEY IE ROLES

In compliance with the above requirements, SCE selected Merrimack Energy to serve as IE for the 2022 IDER Partnership Pilot in October 2022 to begin work in January 2023.

The overall objective of the role of the IE is to ensure the solicitation process is undertaken in a fair, unbiased, and objective manner, and that the best resources are selected and acquired for the benefit of customers consistent with the solicitation requirements. This role generally involves an independent, detailed review and assessment of the evaluation process and the results of the quantitative and qualitative analysis.

The ALJ Ruling Modifying the Distribution Investment Deferral Framework Process issued on May 11, 2020, and modified June 12, 2020, detailed specific tasks to be included in the IE Scope of Work. Attachment C of the ruling described the IE Scope of Work. However, Decision D.21-02-006 did not identify any changes or additional requirements for the Independent Evaluator. Additional IE reporting requirements were later described in Resolution E-5190.

2.3 DESCRIPTION OF IE OVERSIGHT ACTIVITIES

As noted, Merrimack Energy was retained as the IE by SCE in October 2022 to begin work in January 2023. In performing its oversight and evaluation role, the IE participated in and undertook a number of activities in connection with the solicitation process including reviewing the protocol documents, participating in evaluation methodology design, monitoring communications between SCE and the Participants, organizing and summarizing the offers received, participating in meetings with the PRG, reviewing the evaluation results, participating in selection discussions, and development of the IE report.

This report provides an assessment and review of SCE's 2022 IDER Partnership Pilot process. The role of the IE is also discussed as it pertains to specific activities in Section 5 of this report.

3 DESCRIPTION OF OUTREACH ACITVITIES AND ROBUSTNESS OF SOLICITATION

3.1 DESCRIPTION OF IOU OUTREACH TO POTENTIAL AGGREGATORS

Outreach activities are important to the success of a competitive solicitation process. SCE's outreach efforts targeted a large number of DER Aggregators based on SCE's contact lists of energy companies and individuals. SCE maintains a detailed list of potential Participants with over 2,700 contacts that serves as the database for contact and outreach. In addition, SCE contacted the DIDF service lists to notify potential aggregators of the launch of the pre-screening process. This communication was sent on July 14, 2021 to initiate the pre-screening process.

The SCE also hosted public website for the 2022 IDER Partnership Pilot contained general information about the program for both participating aggregators to operate within the program and also for potential customers interested in DER opportunities. The following documents were posted to SCE's website for Energy Solutions Providers:

- Prescreening Application
- IDER Partnership Pilot Instructions
- Base Pro Forma
- Pro Forma Attachments
- Distributed Energy Resource Management Systems Aggregator Requirements

As noted above, SCE contacted a large number of prospective Participants to inform them of the issuance of the pre-screening process and passed along the website link for aggregators to download pre-screening materials. After CPUC-approval of the Partnership Pilot projects, SCE immediately contacted aggregators. In addition, the day before the pre-screening process closed and the subscription period opened, SCE sent out another reminder to the distribution list. In a separate email to Authorized Energy Solution Providers, SCE announced the initiation of the subscription period.

The outreach activities of SCE can be classified as "active" given that emails about the Partnership Pilot process were sent to prospective Participants throughout the process. In addition, SCE held an Offeror's Conference to provide information on the solicitation process, and to allow the aggregators to ask questions and seek information about the solicitation process. However, as discussed later in this report, there were no reservations made for any of the three projects launched in this cycle of the IDER Partnership Pilot.

4 DESCRIPTION OF OFFER EVALUATION AND SELECTION METHODOLOGY

4.1 DESCRIPTION OF THE OFFER EVALUATION PROCESS

The IDER Partnership Pilot Instructions document describes the procedures an Aggregator must follow in order to participate and the manner in which Offers will be evaluated and selected. The following section of the report Describes the offer submission procedure contemplated and the evaluation of such offers. For each deferral project, the offer reservations submitted through Proposal Evaluation & Proposal Management Application ("PEPMA") website will be evaluated individually and collectively. SCE will evaluate how proposed deferral solutions complement each other to address the hourly need. If a single offer or combination of complementary offers meets or exceeds the 90% trigger, SCE may execute contract(s).

The following describe project eligibility requirements as outlined in the IDER Partnership Pilot Instructions:

- Vintage – new build or otherwise incremental to existing installations.
- Technology – proven, commercially available technology that is scalable to the project size (not in experimental, research, demonstration, or development stages), as determined in SCE's sole discretion.
- Incrementality – Incremental offers consistent with the principles adopted by the CPUC in D.16-12-036 and D.21-02-006, including ensuring that customers do not get paid twice for the same service.
- Products – Only the products that Aggregators were pre-qualified for in the prescreening process will be accepted.
- Offers must adhere to the Subscription Period Schedule and other submittal requirements.
- Offers must adhere to, input, and upload all information as required by the online Offer forms.

In the first step, SCE will screen Offers on a "pass-fail" basis against eligibility criteria. The initial screen will include a review for the required submission criteria including the customer listed on each Customer Affidavit as an active SCE customer; a conforming geographical location; adherence to incrementality rules; duplication of Customer Affidavits for same customer submitted by different aggregator(s); minimum project size; and the submission of completed submittal package elements. In addition, the offer reservation will be deemed invalid if the documentation is not submitted in its entirety within fourteen business days after the submission of the Offer Reservation Form.

In the selection process, SCE will consider qualitative attributes when determining which offers to select, including but not limited to:

- Portfolio fit of energy, capacity, and deliverability
- Project viability
- Permitting
- Offeror concentration
- Technology concentration
- Dispatchability (for Demand Response resources)

SCE will evaluate quantitative components comprised of the Offer Quantities and Offer Costs. For project selection, SCE will combine a "first come, first served" and a "best fit" approach. For each deferral project, the offer reservations will be evaluated individually and collectively. SCE will evaluate how certain offers may be complementary of each other if combined. For example, two offers that together, contribute to the entire need in the same hour would be complementary.

When the 90% trigger is reached with either a single offer or combination of offers for each hour of need, SCE will proceed with executing contracts, providing that the subscription period has not ended. SCE will be open to executing additional agreements for any later offers received up to the cap prior to the end of the subscription period or 120% procurement margin is met, whichever occurs first.

4.2 EVALUATION OF STRENGTHS AND WEAKNESSES OF SCE'S METHODOLOGY

The evaluation methodology outlined in the Partnership Pilot Instructions to assess offers submitted appears to be a fair and adequate approach to evaluating offers. However, since no offers were submitted, Merrimack has not identified any specific weaknesses in the evaluation methodology. In addition, regarding evaluating the Partnership Pilot itself, as discussed later in this report, Resolution E-5190 has clearly defined the required evaluation criteria for each step of the Partnership Pilot process.

5 ADMINISTRATION OF THE IDER PARTNERSHIP PILOT PROCESS

Unlike in most other solicitations, the IE did not perform the standard oversight role throughout the entire process for the IDER Partnership Pilot. The IE's main role in the Partnership Pilot is to evaluate the process after each Tranche has concluded. Based on the solicitation process detailed in the IDER Partnership Pilot Instructions, as well as data provided by SCE, the solicitation process is detailed in the following sections of this report.

5.1 LAUNCH OF 2022 PARTNERSHIP PILOT

SCE launched its 2022 IDER Partnership Pilot on January 15, 2022. SCE announced issuance of the RFO via an email blast to its contact list. In addition, SCE developed and has continued to maintain a web address on SCE's website for the Partnership Pilot that provides an overview of the program, project tranche details and reservation levels, authorized solutions providers, the solutions provider prescreening application, and other related solicitation documents.[6] The following documents were posted to SCE's website for Energy Solutions Providers:

- Prescreening Application
- IDER Partnership Pilot Instructions
- Base Pro Forma
- Pro Forma Attachments
- Distributed Energy Resource Management Systems Aggregator Requirements

Successfully pre-screened Aggregators were given several documents that would be utilized in the customer enrollment process to initiate reservations in the IDER Partnership Pilot:

- Customer Affidavit to express interest in SCE Partnership Pilot Form
- SCE Partnership Pilot Customer Affidavit Summary Sheet
- SCE's Partnership Pilot Offer Reservation Form
- Offer Workbooks
    - Distributed Generation Energy Storage
    - Energy Efficiency
    - Permanent Load Shift
    - Renewable Distributed Generation
    - Demand Response

[6] The website address for the solicitation is https://www.sce.com/residential/rebates-incentives-saving-tips/integrated-distributed-energy-resources-partnership-pilot

5.2 BIDDER'S CONFERENCE

SCE held its Offerors Conference on January 21, 2022. The meeting agenda included the following topics:

- Overview including Schedule, Product Types, and Eligibility Criteria
- Project Locations and Needs Assessment
- Distribution Resources Plan External Portal
- Customer Profiles
- Interconnection Process
- Project Budgets & Tiered Payments
- Reservation Process
- Offer Selection
- Final Q&A Session

The IE did not participate in or attend the Offerors Conference.

5.3 PRESCREENING PERIOD

SCE initiated the Aggregator prescreening process on July 15, 2021 with the release of the prescreening application. SCE included questions for the Aggregators about several areas:

- The DER(s) the Aggregator is planning to install
- Other incentive programs or special tariffs the Aggregator plans to utilize
- Aggregator experience statement
- Cybersecurity BitSight score
- Commercial & financial information
- Additional information about the technology solutions being installed
- Dispatchability of the resources
- Safety plan and attestations

SCE then reviewed the applications and completed a pass/fail scoring system for each bidder for the following criteria:

- A company must demonstrate that it has implemented/completed at least one project for one or more of DER resource identified in this application; AND/OR at least one member that will be on the development team has completed at least one project for one or more of the DER resources identified in this application.
- BitSight Score 670 or Greater
- Initial and complete Acknowledgement to agree to adopt SCE's information security, cybersecurity, and privacy requirements.

- The Legal Entity that will be the applicant attest that it and/or its Parent is not Bankrupt and there are no proceedings pending or being contemplated by either entity or, to either entity's knowledge, threatened against the Applicant and/or its Parent which would result in either entity being or becoming Bankrupt.
- The Legal Entity that will be the Applicant attests that it and/or its parent company has not terminated a contract (either mutual termination or otherwise) with any California electric utility, prior to commercial operation date with any portion of the financial security retained by any California electric utility more than once within the previous 36 months.
- Technical solution(s) are proven, commercially available technology (not in experimental, research, demonstration, or development stages).
- Technical solution(s) will provide Incremental Capacity per Ordering Paragraph 10 and Attachment A Section 2.8 of Decision 21-02-006.
- For interconnected DER only: Acknowledge that the Applicant will be required to have been tested and certified as an aggregator through SunSpec's Common Smart Inverter Profile (CSIP) certification process.
- For dispatchable Distributed Energy Resource (Demand Response) only: Able to respond to a 15-minute dispatch notice to curtail load (dependent upon the deferral project needs).
- Applicant attests that a safety plan will be in place and followed for safe construction, installation, and operation of the project(s). Prior to commencement of any construction activities on the Site, safety plans will need to be reviewed by an independent engineer and documented in a report.

SCE received prescreening applications in four rounds and were each separated and evaluated by technology type offered. See table 9 below.

Table 9: Summary of Prescreened Applications Submitted

	Pass	% Pass	Fail	% Fail	Withdrawn	% Withdrawn	Total
Customer Generation Programs							
DG	8	47.06%	8	47.06%	1	5.88%	17
DG+ES	5	31.25%	10	62.50%	1	6.25%	16
PLS - Battery	10	71.43%	3	21.43%	1	7.14%	14
Energy Efficiency Products							
PLS - Thermal	2	40.00%	2	40.00%	1	20.00%	5
Energy Efficiency	3	37.50%	3	37.50%	2	25.00%	8
Demand Response							
DR	12	66.67%	5	27.78%	1	5.56%	18
DR+ES	13	76.47%	3	17.65%	1	5.88%	17

Total	53	55.79%	34	35.79%	8	8.42%	95
Overall (Unique)	**25**	**78.13%**	**6**	**18.75%**	**1**	**3.13%**	**32**

SCE accepted the prescreening applications in four rounds. One aggregator submitted an application in two separate rounds. In other cases, a number of aggregators submitted applications with multiple technology types selected. Reasons for failures and withdrawals included:

- One withdrawal due to submitting offers under two different company names
- BitSight score being below the 670 minimum
- The company nor individual on the project team having completed or implemented a project
- No experience with a specific technology selected
- Specific technology selected may not be incremental (DG solar not incremental, as will be using Net Energy Metering)
- Auto-DR is not allowed

After the prescreening process was complete, there were a total of twenty-five approved developers and aggregators, all of which were then listed on SCE's IDER Partnership Pilot website.

5.4 OUTREACH & ENGAGEMENT

SCE tracked activity on its established website and provided the results to the IE. In 2021, SCE received a total of 2,473 visits with 2,090 unique visits. In 2022, SCE received a total of 4,797 visits with 3,771 unique visits. This appears to be fairly substantial traffic to the website; however, it's difficult to tell the source of the traffic or the market classification of the visitor (customer, aggregator, program administrator, etc.). In addition, it's not clear how this amount of traffic compares to other customer program or solicitation websites.

5.5 PROCUREMENT RESULTS

Both the El Casco and Shawnee projects had the Tranche 1 Subscription Period run from January 18, 2022 to December 1, 2022; whereas the Colonia project has an ongoing Subscription Period that started on January 18, 2022 and continues to December 1, 2023. There were no offers submitted for any of the projects during the Tranche 1 Subscription Period. The procurement results by project are detailed in Table 10.

Table 10: 2022 Partnership Pilot Procurement Results (hour ending)

Project	Year 1 (MWh)	HE 11	HE 12	HE 13	HE 14	HE 15	HE 16	HE 17	HE 18
El Casco	Need							0.1	
	Reserved							0.0	
Shawnee	Need			3.3	5.6	6.9	6.9	4.3	0.4
	Reserved			0.0	0.0	0.0	0.0	0.0	0.0
Colonia	Need	1.1	1.6	3.0	2.7	2.4	0.8		
	Reserved	0.0	0.0	0.0	0.0	0.0	0.0		

As a result, the El Caso and Shawnee Projects were closed on December 1, 2022 with zero reservations. In addition, it was determined that the deferral needs for the Shawnee project disappeared in late 2022, so the project has been put on hold until the results of the 2023 DPAG process are available.

The project tranche details and reservation levels were updated monthly and posted to SCE's Partnership Pilot website.

5.6 AGGREGATOR SURVEY RESULTS

As outlined in Resolution E-5190, a requirement of the IDER Partnership Pilot program is that the IOUs must conduct a survey of the aggregators following each Tranche. SCE enlisted Pacific Consulting Group ("PCG") to conduct the aggregator surveys in December 2022. With the outreach assistance of SCE, PCG reached out to twenty-four (24) aggregators via email. Ten (10) aggregators filled out the screening questionnaire, and six (6) of those actually participated in the interview survey.

As PCG noted in the survey summary, which was provided to the IE as a part of the data submission, five of the six aggregators didn't advance past the pre-screening process, and none had successfully enrolled customers. PCG noted the following themes of the survey conducted:

- Some participants saw the ease of the application process, the opportunity to engage with SCE, and relatively competitive pricing as strengths of the program. However, they tended to discuss this more conceptually rather than from experience.
- Weaknesses that were cited by participants were either economic (e.g., high collateral requirements, undefined incentives), programmatic (e.g., rules and requirements being unclear), or related to gaining customers (e.g., outreach plan not being viable.)
- As currently structured, most did not think that the program was a good value, citing the high overhead costs in time and labor, insufficient incentives, the risk of the requested level of collateral, the uncertain returns, and the challenge of enrolling customers.

- Despite the critiques of the program and of SCE's communication style, many said they would still recommend the program in the right circumstances or if the aggregator had certain characteristics.
- Note that with the small sample size, and the relative inexperience of the Aggregators, it is unclear whether these trends would hold if the sample size were larger.

Four of five aggregators felt that the program was not a great value for the aggregators. Strengths and weaknesses identified in the aggregator survey are summarized in Table 11 below:

Table 11: Program Strengths and Weaknesses

Strengths	Weaknesses
• Ease of the application to become a service provider • Having a straightforward process • Having the opportunity to partake in an official engagement with SCE • Pricing being relatively competitive	• Program economics - Incentives being undefined or too low - High collateral requirements relative to uncertainty of program's returns - Opportunity cost of this program versus other pursuits - Large number of residential enrollments needed to have meaningful value • Aspects of the program and support - Unclear rules and requirements - Not having a direct contact to ask questions or hold meetings • Outreach and marketing of the program - Difficulty in gaining traction in So California, even with existing customers - Difficulty reaching out to customers - The outreach plan not being viable

Regarding the experience with SCE, there was a mixed response; however, a couple aggregators felt it was challenging, either figuring out the process or how to get direction from SCE. One aggregator stated, "There is a difference between an RFP solicitation response versus something that requires identifying customers for the documentation. That's a departure from the bid process, it adds an extra step."

While the aggregator survey shed light on issues relating to process and solicitation structure, the largest barriers to participation revolved around uncertainty in project details and economics of participating. Regarding uncertainty, one aggregator noted, "There is a lot of uncertainty. We'd have to invest money into this program. We want to do a project for 2024, and there's an identified need for 10 years. But every single year there is a review and contract renewal, and SCE can pull the plug at any time. So, if we're doing a 10-

year payback analysis on the project and it gets pulled, we lost a lot of money. So, lots of uncertainty." Other aggregators noted that a substantial amount of work could be put in to aggregate and enroll customers, but that the 90% acceptance trigger may never be reached. In that case, there'd be a lot of work and expenses for nothing.

Several participating aggregators raised issues relating to program economics stating, "Biggest overall issue we have, and other service providers have: the incentives are too low. We can't make a business case for providing the services for what we're offering to be paid for." Another aggregator stated, "The economics associated with the targeted circuits as well as the customer segmentation was not ideal." "Collateral requirements are way too high. We must put up $100K, $200K, submit as collateral, for a project that won't start for two years, and then start earning it back by performing. Our money is sitting dead for two years, earning very little ROI. So that's an opportunity cost."

Some aggregators expressed confusion with incentive amounts as well, in that the incentive amounts were not consistent between projects and IOUs. Each deferral project has its own characteristics, including deferral value and capacity/energy needs, so under the current program design, each project will have its own unique incentives. Other aggregators expressed confusion in the technology requirements in that the hours of need would be far longer than any technology could provide in a residential application. While Merrimack feels that SCE's Partnership Pilot solicitation materials are clear in describing program and project requirements, it's understandable that many of the enrolled aggregators typically participate in more prescriptive, less complicated programs.

Interviewees also had strong responses to the ratable procurement approach, one aggregator stated, "With a multiple tranche approach, we must estimate how many customers we are going to install. It would be much easier to scale the program if it was open and funded well enough to absorb many customers. We prefer a whole grid approach for a residential focused company due to its challenging nature of forecasting on systems that are being installed. We also prefer built-in programs, that are one time, which allow for constantly building up that resource as more systems are brought online so customers can start participating. We prefer to market these opportunities to customers as they sell before they get installed."

While there was limited participation in the Aggregator survey process, the responses provided tremendous insight into a wide range of challenges encountered in the first cycle of the IDER Partnership Pilot.

6 EVALUATION OF 2022 IDER PARTNERSHIP PILOT

6.1 PARTNERSHIP PILOT EVALUATION CRITERIA

This section of the report addresses the principles and framework underlying the IE's review of SCE's Partnership Pilot. Attachment B to Resolution E-5190 details the Evaluation Criteria to be applied when assessing the Partnership Pilot and Standard Offer Contract. The Evaluation Criteria as outlined are intended to analyze: (1) whether the pilots resulted in procuring distributed energy resources cost-effectively; (2) whether the DERs deferred the distribution investment by meeting the grid need; and (3) whether the service was reliably maintained with DER solution implemented.

Resolution E-5190 (Attachment A): Evaluation Criteria

There are two distinct components to the Evaluation Criteria: Performance Measures and Success Criteria.

> **Performance Measures** include qualitative and quantitative measurements of different aspects or factors within the pilot and will be evaluated to determine which, if any, elements of the pilots should be modified to improve the efficacy of the pilots.
>
> **Success Criteria** will inform the Energy Division's evaluation and the California Public Utilities Commission (CPUC) determination of whether the pilots are a success, should be modified, or should be off- ramped[7] and whether the CPUC should make the pilots a permanent program at the conclusion of the pilot period. Together, these criteria provide a comprehensive analysis of the pilots and inform the evaluation of its success in terms of meeting pilot objectives and achieving results.

It should be noted that each pilot cycle can last well beyond the timeframe of the mid-stream pilot evaluation, thus there could be some limitation on the amount of available data to inform the mid-stream pilot evaluation.

The Evaluation Criteria will be implemented in two steps. First, the Performance Measures will be tracked during each pilot cycle and assessed after the cycle is complete, and its outputs will be recommendations for Pilot Improvements before

[7] For the Partnership Pilot, off-ramping means not initiating new Partnership Pilot projects in year 4 and 5 for one or more of the IOUs. For the SOC Pilot, it means one or more IOUs not initiating new SOC projects in year 3.

the start of the next cycle. Second, the Success Criteria will be assessed after two SOC Pilot cycles and three Partnership Pilot cycles just prior to the mid-stream pilot review to inform determination of whether further improvements should be made to the pilots or whether a recommendation to Off-ramp the pilots early is appropriate.

Resolution E-5190 outlines the specific evaluation criteria that should be assessed in each annual and/or midstream IE report. As described, the Success Criteria assessment includes an analysis of three elements:

1) Procurement Results – assess if sufficient DERs were procured to meet the grid need.
    a) Were sufficient DERs procured to meet the grid need? If not, why?
    b) Were DERs cost-effective compared to the planned investment?
    c) Of the projects selected for piloting, how many were successfully procured for? What is the percentage?
2) DER/Aggregator Performance – assess whether the DER performed to meet the grid need and according to its contractual obligation.
    a) Did the DER perform to meet the full grid need? If not, what percent of grid need was met? Why did the DER not perform?
    b) Did the DER perform according to its contractual obligations? How long did it take the DER to respond?
    c) How did the DER perform when called upon day-ahead and day-of? How many dispatch calls were requested and how frequently were they met?
    d) Did technology or DER type affect performance?
    e) Were any projects originally approved to participate ultimately deemed non-incremental? Provide additional detail.
3) Local Distribution Reliability – assess operational considerations including whether the full need of the deferral was met by the DERs and whether reliance on DERs for deferral contributes to making the distribution system less reliable in its normal configuration (as well as in abnormal configurations during planned and unplanned outages and equipment clearances).
    a) Did the DERs defer the wires investment? Was a contingency plan implemented?
    b) Were other measures taken to mitigate a violation (e.g., switching, temporary generation, etc.)?
    c) Did a violation (e.g., overload, overvoltage, undervoltage, etc.) occur? If so, why?
    d) Were there any service interruptions or was system reliability impacted?
    e) Did the DER impact operational flexibility? If so, how?

f) Did the DER project impact asset health? If so, how?

The Performance Measures to be analyzed and assessed each pilot year for the Partnership Pilot are detailed in Table 12.

Table 12: Phase 1, Partnership Pilot Performance Measures Questions

Performance Measure	Qualitative Analysis	Quantitative Analysis
Acceptance Trigger	• Is 90% the appropriate trigger level? • How many projects met 90% of the need? 100%? 120%? • How did the type of project (size, location, etc.) affect each procurement milestone of pilot differently?	• Cycle time from launch to • 90% (acceptance trigger, 100% (full need) and 120% (procurement margin) Cycle time between each above milestone • # of Deferrals that hit 90%, 100% and 120%
Procurement Margin	• Was the 120% margin achieved? • Is 20% the appropriate procurement margin?	• Same as above
Customer Attrition and Experience	• Was there customer attrition? • At what stage did attrition occur? Did attrition occur because the subscription period was open too long? Did originally interested customers drop out before contracts were executed? • What were the specific reasons for attrition? Break down into categories if possible. • Was customer attrition mitigated by procurement margin, acquiring new customers, or both? • How was the customer experience? Were expectations cleared communicated? How can it be improved?	• Customer attrition rate during each phase of pilot • % of need lost to attrition • Customer satisfaction metrics
Subscription Period	• Should a minimum or maximum timeframe be placed on the subscription period/tranche? • Is the contingency date the appropriate end point for the subscription period? Were there	• Same as Acceptance Trigger metrics • Distribution of customer enrollment during subscription period • # and amount of • Deployment payments

	additional steps needed because of the pilots? • Did customer enrollment happen gradually? Front loaded or at the tail end? • Was it easier to enroll new or existing customers and why?	• # of new and existing DER customers enrolled. • % of need met by new and existing customers.
Ratable Procurement	• Did the grid need change? If so, did ratable procurement allow for an incremental procurement in line with the grid need changing? Or were DERs no longer required? • Did aggregators feel restricted by procuring DERs for one procurement tranche as opposed to procuring for the whole grid need? • Would non-ratable procurement (procurement of DERs to meet entire deferral need) have been more effective?	• Changes in forecast (MWs) over pilot lifecycle • Aggregator survey
Tiered Payment Structure	• At what point did aggregators receive Capacity Reservation tier payments and why? • Was there any difference in DER performance based on whether the customer received a deployment incentive? • Is the 20/30/50 breakdown of the incentive structure appropriate?	• Percent new vs existing DER customers. • Percent of enrolled customers that received 1) enrollment payment, 2) reservation payment, and 3) performance payment.
Tariff Budget	• Was the full 85% tariff budget paid? If not, why was it less than 85% Or did it exceed 85% and why? • Is 85% the appropriate tariff budget to account for procurement risk? • Did the deferral value change after IOUs could not update cost caps, and how did that impact cost effectiveness?	• If contracts executed but • 100% procurement was not reached, amount spent on deployment payments on top of contingency costs. • Other costs associated with either pilot structure that would not have been incurred with other procurement mechanisms

	• Would administrative and other unexpected costs make the pilots non-cost effective? • How did the savings compare to savings for DER projects procured through an RFO?	
Marketing Partnership	• How was the aggregator experience? How can it be improved? • Did the IOU marketing partnership help aggregators with customer acquisition? If not why and how can it be improved? • How much traffic was there on the website and how did users move through the steps to receive marketing materials from vendors?	• Aggregator survey • IOU website tracking (number of clicks, navigation, etc.) • IOU website satisfaction survey • Costs associated with development of website and tracking
Prescreening	• Did the prescreening process meet the intention to ascertain the experience, financial strength, and dispatch ability of DER providers? • If aggregators failed, why? What can be done to improve the pass rate? • Are there any aspects of the prescreening process that can further streamline the contracting process? • Are there changes, additional criteria, or increased vetting of applications that should be included in prescreening?	• Prescreening costs • Number and percentage of pass/fail • Number of applicants during each prescreening period. • Cycle time for processing prescreening applications.

6.2 IE EVALUATION OF THE 2022 PARTNERSHIP PILOT – TRANCHE 1

On January 18, 2022, SCE launched the first Partnership Pilot subscription period for the El Casco, Shawnee, and Colonia Projects. The subscription period for El Casco and Shawnee was from January 18, 2022 to December 1, 2022 with the Colonia subscription period lasting until December 1, 2023. SCE did not receive any reservation offers prior to the closing of the Tranche 1 Subscription Period for the El Caso and Shawnee projects. In addition, it was determined that the deferral needs for the Shawnee project disappeared.

6.2.1 Success Criteria

Since SCE did not receive any reservations for either of the three candidate deferral opportunities, the evaluation of the process is very limited. The Success Criteria assessment includes an analysis of three elements; however, since no DERs were procured, DER/Aggregator Performance and Local Distribution Reliability cannot be evaluated. Relating to the Procurement Results, there were not sufficient DERs procured to meet the grid need. In addition, the needs for the Shawnee deferral project were eliminated.

6.2.2 Performance Measures

Since no reservations were received from any aggregators, many of the Performance Measures were not applicable or could not be evaluated. While there were no reservations received for any of the three deferral projects, there are still several Performance Measures that can be analyzed and discussed further.

6.2.2.1 Acceptance Trigger

1) **Qualitative**
   a) **Is 90% the appropriate trigger level?**
      Due to a lack of participation, the trigger level should not be lowered in order to protect customers from over-paying; however, since there were no offers received in the first Partnership Pilot cycle, it's unclear if the appropriate trigger level is 90%. If a change were to be made, Merrimack Energy feels that meeting 100% of the project need would be the ideal level to ensure that the project needs are met.

   b) **How many projects met 90% of the need? 100%? 120%?**
      Neither El Casco nor Shawnee were able to meet the 90% need, as zero reservations were made for both projects.

   c) **How did the type of project (size, location, etc.) affect each procurement milestone of pilot differently?**
      The two projects had different levels of need, were geographically different, had a different customer make-up, and had different

approaches in distributing the deferral budget (original vs proportional smoothing). Despite the differences, both projects resulted in zero offers.

2) **Quantitative**

a) **Cycle time from launch to 90% (acceptance trigger, 100% (full need) and 120% (procurement margin) Cycle time between each above milestone**
No offers were received within the Subscription period for El Casco or Shawnee, so there iso data to review.

b) **Cycle time between each above milestone**
Not applicable.

c) **Number of Deferrals that hit 90%, 100% and 120%**
Neither of the two deferral projects in the first cycle whose Subscription Periods ended, reached any of the above procurement levels.

6.2.2.2 Procurement Margin

Due to no reservations being received, there is insufficient data to provide analysis on any of the qualitative or quantitative criteria.

6.2.2.3 Subscription Period

1) **Qualitative**

a) **Should a min or max timeframe be placed on the subscription period/tranche?**
Given the lack of customer enrollment during the Subscription Period, Merrimack does not have a strong opinion on this criterion. It appears that there was ample time to participate in the subscription period.

b) **Is the contingency data the appropriate end point for the subscription period? Were additional steps needed because of the pilots?**
There is insufficient data to provide analysis on this criterion.

c) **Did customer enrollment happen gradually?**
No customers were enrolled.

d) **Was it easier to enroll new or existing customers and why?**

There is insufficient data to provide analysis on this criterion.

2) **Quantitative**

The quantitative criteria are not applicable due to no reservations being received for both the El Casco and Shawnee projects.

6.2.2.4 Tariff Budget

1) **Qualitative**

a) **Was the full 85% tariff budget paid? If not, why was it less than 85% Or did it exceed 85% and why?**

0% was paid.

b) **Is 85% the appropriate tariff budget to account for procurement risk?**

At this time, it is difficult to determine if 85% is the appropriate tariff budget to account for procurement risk. If administrative costs (website development, pre-screening costs, IE costs, etc.) are less than 15% of the deferral value, than this tariff budget could be deemed appropriate. With that said, many Aggregators expressed concerns with the incentives being too low, so if administrative costs are generally lower than 15% of the deferral value, then there may be sufficient room to increase the tariff budget to incentive levels that would drive participation. When accounting for additional administrative costs and their impact on the deferral value, it's important to recognize that administrative costs can generally be spread across any active deferral projects in the cycle. It's also important to recognize that not all potential administrative costs would have been applied since there were no customer enrollments to review, offer evaluations conducted, or contract negotiations.

c) **Did the deferral value change after IOUs could not update cost caps, and how did that impact cost effectiveness?**

The deferral value did not change; however, the deferral needs did go away for the Shawnee project.

d) **Would administrative and other unexpected costs make the pilots non-cost effective?**

If administrative costs are greater than the 15% of the deferral value buffer or the price of the investment project, then the pilot could be deemed not cost-effective.

e) **How did the savings compare to savings for DER projects procured through an RFO?**
Since no offers were received, a comparison cannot be made to the other DIDF solicitations.

2) **Quantitative**

a) **If contracts executed but 100% procurement was not reached, amount spent on deployment payments on top of contingency costs.**
Not applicable.

b) **Other costs associated with either pilot structure that would not have been incurred with other procurement mechanisms.**
The IE does not have insight into any additional costs associated with the Partnership Pilot that would not be incurred with other procurement mechanisms.

6.2.2.5 Prescreening

1) **Qualitative**

a) **Did the prescreening process meet the intention to ascertain the experience, financial strength, and dispatch ability of DER providers?**

Merrimack believes that the prescreening process did adequately ascertain the experience, financial strength, and dispatchability of DER providers.

b) **If aggregators failed, why? What can be done to improve the pass rate?**

Based on SCE's IE Partnership Pilot Evaluation Report, five aggregators failed for a number of reasons, including:

- Previously terminated contracts with SCE prior to COD.
- Low Cyber/BitSight score.
- Never having completed or implemented a project.
- Lack of incrementality in the solution offered.

While there are adjustments that can be made to improve the pass rate in the prescreening process, Merrimack questions whether this should be the goal of the program. Given that twenty-five aggregators were approved in the prescreening process, there were a substantial number of aggregators enrolled representing a wide range of potential solutions. While Merrimack always supports increased competition, it's not clear that looking to enroll additional aggregators would help this program. Since distribution deferral requires aggregators to enroll customers in specific locations, too much competition for customers could potentially dissuade aggregators from participating, as they'll be competing for the same, limited number of customers.

c) Are there any aspects of the prescreening process that can further streamline the contracting process?

Merrimack has not identified any aspects that can be further streamlined other than the development of a web form to fill out and automate the process. However, this would likely incur more substantial up-front costs.

d) Are there changes, additional criteria, or increased vetting of applications that should be included in prescreening?

Merrimack has not identified any changes or additional vetting strategies that should be implemented with prescreening.

2) Quantitative

a) Prescreening costs

The IE does not have insight into the pre-screening costs incurred by SCE; however, SCE reported total administrative costs of [redacted] in their Evaluation Report.

b) Number and percentage of pass/fail

Table 9 earlier in this report provides an overview of the pass/fail rates and numbers by solution type. It is again presented here:

	Pass	% Pass	Fail	% Fail	Withdrawn	% Withdrawn	Total
Customer Generation Programs							

DG	8	47.06%	8	47.06%	1	5.88%	17
DG+ES	5	31.25%	10	62.50%	1	6.25%	16
PLS - Battery	10	71.43%	3	21.43%	1	7.14%	14
Energy Efficiency Products							
PLS - Thermal	2	40.00%	2	40.00%	1	20.00%	5
Energy Efficiency	3	37.50%	3	37.50%	2	25.00%	8
Demand Response							
DR	12	66.67%	5	27.78%	1	5.56%	18
DR+ES	13	76.47%	3	17.65%	1	5.88%	17
Total	53	55.79%	34	35.79%	8	8.42%	95
Overall (Unique)	**25**	**78.13%**	**6**	**18.75%**	**1**	**3.13%**	**32**

c) Number of applicants during each prescreening period.

As presented in SCE's Partnership Pilot Evaluation Report, the number of applicants and DER solutions are provided in Table 13:

Table 13: Number of Applicants by Prescreening Period

Prescreening Period	# of Applicants	# of DER Solutions Offered
7/15/2021-8/14/2021	16	61
12/15/2021-1/14/2022	5	6
7/15/2022-8/14/2022	10	23
12/20/2022-1/18/2023	2	5

d) Cycle time for processing prescreening applications.

As presented in SCE's Partnership Pilot Evaluation Report, the number of applicants and DER solutions are provided in Table 14:

Table 14: Prescreening Application Processing Time

Prescreening Period	Calendar Days to Complete Review
7/15/2021-8/14/2021	20.09
12/15/2021-1/14/2022	6.50
7/15/2022-8/14/2022	11.52
12/20/2022-1/18/2023	6.67

6.2.2.6 Marketing Partnership

1) **Qualitative**
   a) **How was the aggregator experience? How can it be improved?**
   Generally, the results of the aggregator survey were that while aggregators may value a relationship with SCE, their overall experience in the program was not overly positive. It was noted by a couple aggregators that there were challenges understanding program processes and getting questions answered by SCE. While this was expressed by a limited number of aggregators, it's worth exploring ways to improve the communication channel with SCE and the aggregators.

   b) **Did the IOU marketing partnership help aggregators with customer acquisition? If not, why and how can it be improved?**
   Based on feedback from a select few aggregators in the survey, it sounded like the marketing assistance provided by SCE was limited. One challenge with aggregating customers in a confined location is that SCE is limited in the amount and specificity of customer data that can be provided to contractors. SCE also did not directly market the program to customers, as the marketing and customer relationship is most often managed by the aggregators.

   c) **How much traffic was there on the website and how did users move through the steps to receive marketing materials from vendors?**
   There appeared to be a substantial amount of traffic on the website. It's unclear the source of the clicks or the classification of the visitors.

2) **Quantitative**
   a) **Aggregator survey**
   Generally, respondents to the aggregator survey did not feel that there was engagement from customers. In addition, respondents felt that posting the aggregators on SCE's Partnership Pilot website did not drive engagement.

   b) **IOU website tracking (number of clicks, navigation, etc.)**

Based on IOU website tracking results, there has been steady traffic since the original website launch in 2021.

c) IOU website satisfaction survey

Generally, aggregators who participated in the survey process felt that SCE's website provided adequate information about the solicitation; however, a majority of the respondents felt that having their name on SCE's website did not help generate customer interest.

d) Costs associated with development of website and tracking

As presented in SCE's Partnership Pilot Evaluation Report, the website costs in 2021 was [redacted] and in 2022 was [redacted].

6.3 CONCLUSIONS AND OBSERVATIONS

Merrimack Energy has the following conclusions and observations regarding the 2022 IDER Partnership Pilot process based on its role of IE in this process:

1. SCE generally implemented the 2022 SCE IDER Partnership Pilot solicitation process consistent with CPUC Decision D.21-02-006, which is seeking reservation Offers from pre-qualified aggregators that have passed the prescreening process and have been accepted by SCE to participate. The qualifying Products must be new or incremental behind-the-meter ("BTM") DERs to provide energy savings for the purpose of deferring traditional upgrades to SCE's distribution network.

2. While SCE's IDER Partnership Pilot RFO prescreening application resulted in successfully approving a substantial number of Aggregators, there were no successful reservations from Tranche 1.

3. The IE found the solicitation documents to be transparent and well-structured to allow potential Participants to effectively decide whether and how they wished to compete. The 2022 SCE IDER Partnership Pilot RFO documents clearly defined the procurement targets, products solicited, eligibility requirements, evaluation process and criteria, information required of Participants and company objectives.

4. In Merrimack's experience with distribution deferral programs in California, Behind the Meter solutions are typically more challenging to integrate than

In Front of the Meter solutions. The individual deferral project characteristics, such as deferral value and capacity/energy needs, play an important role in the success of a deferral solution; however, typically, BTM solutions are more costly because marketing and customer enrollment costs are significant. In addition, customer acquisition of fully incremental resources can be time consuming. These challenges can be amplified if there are considerable uncertainties. As expressed in some of the survey responses, these uncertainties include:

   a. Will the deferral need change if there's an extended subscription period?
   b. Will there be overlap in customer acquisition given the large number of aggregators that had their prescreening applications approved? What if the 90% acceptance trigger is not met after expending extensive amounts of resources to acquire customers?

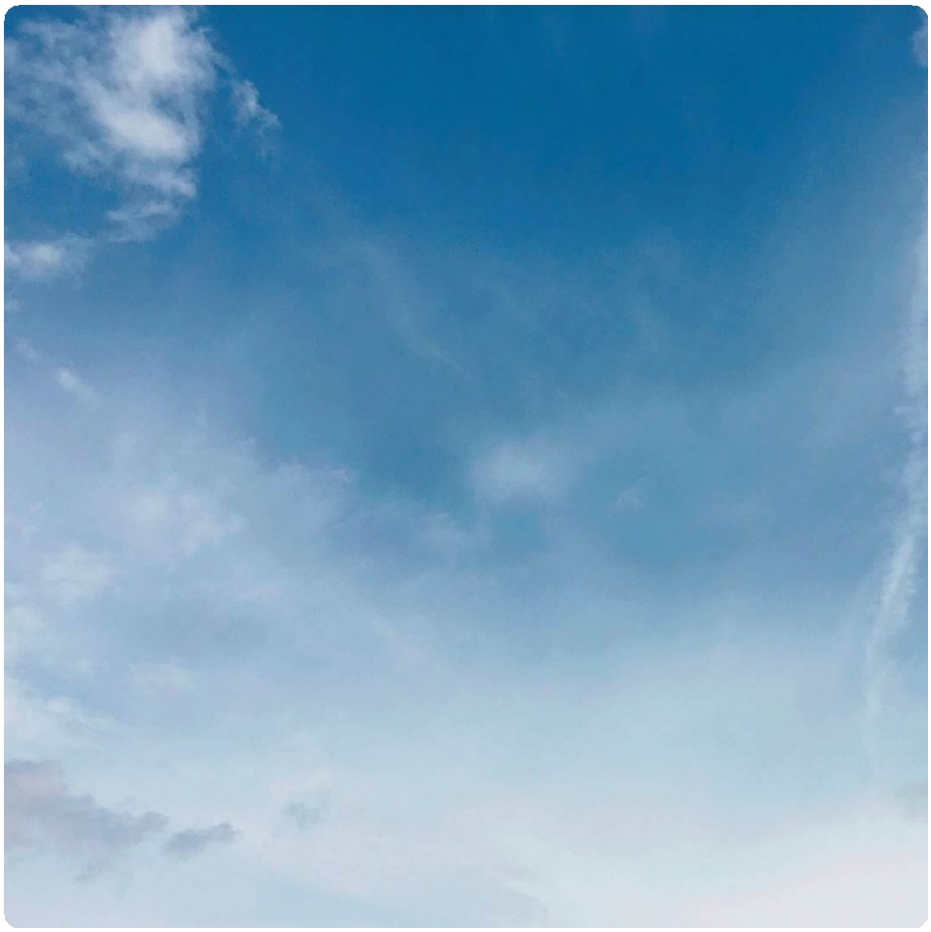
5. Aggregators raised concerns around the economics of the program citing various issues relating to program costs and incentives:
   a. The inconsistency in incentive amounts amongst projects caused confusion.
   b. The incentive levels aren't sufficient to make participation in program worthwhile.
   c. The payment structure makes the program a challenge to operate within, as performance assurances must be posted by the aggregator when the contract is executed following the subscription period; however, reservation and deployment payments are not made until the project is installed.

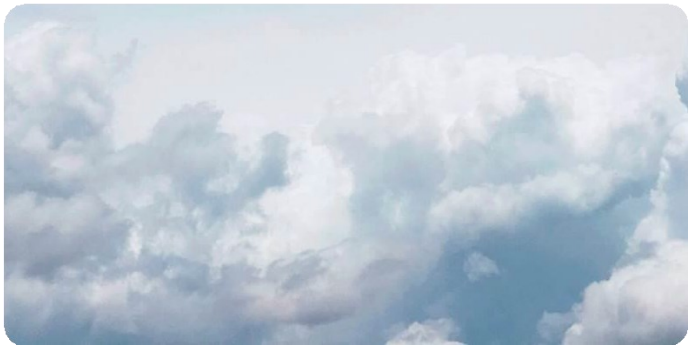
6.4 RECOMMENDATIONS

The role of the IE is to review and evaluate SCE's solicitation process, outcomes, and recommendations and present their own independent analysis and recommendations on pilot success, improvement, and off-ramp considerations.

1. It appears that SCE received fairly substantial traffic to the Partnership Pilot website; however, it's difficult to tell the source of the traffic or the market classification of the visitor (customer, aggregator, program administrator, etc.). In addition, it's not clear how this amount of traffic compares to other customer program or solicitation websites. If possible, Merrimack recommends adding the data points to identify the source of the traffic (e.g. google search, direct click, etc.) and to provide a comparison of the traffic relative to other SCE solicitation websites.

2. In future refinements and modifications to the Partnership Pilot, Merrimack recommends further amending a couple of the reporting requirements:
    a. Differentiate the IE's role in assessing performance, as Merrimack doesn't have direct insight into the implementation of a project, so many Success Criteria cannot be fully evaluated, including Aggregator Performance and Local Distribution Reliability.
    b. Extend the timeline for the IE Evaluation Report to be submitted from the due date of the IOU Evaluation Report of at least two weeks. In order to adequately review and incorporate program details and results in the evaluation, the IE needs sufficient time to review and assess the IOU Evaluation Report.
3. The Aggregator survey process is a crucial part of the process to determine the strengths and weaknesses of the Partnership Pilot, which will inform program modifications with the goal of developing a successful program. While receiving survey responses can be challenging, SCE should look to identify ways to improve participation. Given that many companies may have been approved Aggregators in all three service territories, responding to three separate surveys may be overly cumbersome, hindering the response to any of the surveys. The IOUs may contemplate a single, more simplified survey.
4. When developing a non-wires alternative for a traditional distribution upgrade, it's important to ensure grid reliability. With the acceptance trigger being set at 90%, it's not clear that the project needs would be fully met at any point, particularly given that load forecast can continue to shift. Merrimack recommends ensuring that the project needs are met through any distribution deferral framework process in order to ensure grid reliability and that the acceptance trigger be raised to 100% of the deferral need.
5. During the aggregator survey process, several aggregators stated that they were confused with the payment and incentive structure of each deferral project. With this being the introduction of a fairly complex program, it'd benefit the program and aggregators to identify a more simplified payment structure that can be easily digested by aggregators and customers alike. With the understanding that each deferral project is unique and has a different deferral value, if there's an avenue to simplify the payment in a ratable procurement approach, it would simplify the program, which already has to compete with several other statewide programs incentivizing BTM-type solutions.





Pacific Gas & Electric

Independent Evaluator Report

2022-2023 DIDF Partnership Pilot Survey & Improvement Opportunities

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Contents

1 Executive Summary

PA Consulting Group, Inc. (“PA”) served as the Independent Evaluator (“IE”) for the Pacific Gas & Electric (“PG&E”) 2022-2023 Distributed Investment Deferral Framework Partnership Pilot (“2022-2023 PP”) solicitation. PA was not the IE for the previous cycle of the Partnership Pilot and understands that this report serves as the first IE report for PG&E’s Partnership Pilot program. Our role was limited to requesting feedback from participants and summarizing the feedback for PG&E and the California Public Utilities Commission (“CPUC”) Energy Division (“ED”). This report provides PA's assessment of participant feedback of the 2022-2023 PP.

1.1 Overview of Solicitation

PG&E executed the 2022-2023 PP based on their Grid Needs Assessment (“GNA”), which identified specific distribution projects that could be deferred with aggregation of Behind-The-Meter (“BTM”) resources from registered aggregators. These BTMs can include rooftop solar, battery storage, smart water heaters, and other devices located on customer premises. As part of PG&E’s assessment process, PG&E determines a “deferral value” for each grid need and uses a calculation methodology to determine if the bid-in price (if made) is below this deferral value. PG&E identified the following grid needs for the 2022-2023 PP (data as of March 21, 2023):

Grid Need	Megawatt (“MW”) Need	Reservations	Status	Launch Date	Closing Date
Vasona 1109	[redacted]	0	Open	Jan 2023	Apr 2023
Gabilan Bank 2	[redacted]	0	Open	Jan 2023	Aug 2023
Carlotta Bank 2	.58 MW	0	Open	Jan 2023	Sep 2023

PG&E has indicated that despite several aggregators requesting access to the solicitation via the sourcing platform for many of the listed projects, there have not been any reservations made for the project needs. This is consistent with the experience PG&E had for their first Partnership Pilot in 2021-2022 (“2021-2022 PP”).

The IE notes that as of the date of this report, the grid needs have yet to hit their closing dates, so it is possible that reservations will be made prior to the official close. Note that a separate entity (not PA) served as the IE for the 2021-2022 PP.

1.2 PA’s IE Report

PA’s IE report generally follows the CPUC’s 2014 Renewable Portfolio Standard (“RPS”) Solicitation Shortlist Report Template and the CPUC’s Draft Resolution E-5190 Attachment A and Attachment B report requirements and timeline document dated January 27, 2022.

The main sections include:

- Section 1: Executive Summary
- Section 2: Describe the IE’s Role
- Section 3: Engagement Survey Results
- Section 4: Recommendations
- Section A: Appendices

1.3 Main Activities of Solicitation

PG&E performed several activities as part of this solicitation. In addition to the GNA documented above, the following schedule includes what was performed by PG&E and the IE and what is expected to be performed in the future:

Date	Milestone Description
8/15/2022	PG&E completes and publishes its GNA report, documenting grid needs
9/15/2022	PG&E updates pre-screened aggregator contact information[1]
11/15/2022	PG&E files an advice letter to launch pilot
12/15/2022	PG&E begins Round 4 aggregator pre-screening process
1/17/2023	PG&E releases Partnership Pilot Solicitation documents to the public[2]
1/30/2023	PG&E hosts a Partnership Pilot Webinar
3/15/2023	PG&E submits Annual Partnership Pilot Evaluation Report
3/25/2023[3]	IE submits Partnership Pilot Report
4/2/2023	*Deadline for Vasona 1109 subscriptions*
6/1/2023	*Contingency Date for Vasona 1109 subscriptions*
8/2/2023	*Deadline for Gabilan Bank 2 subscriptions*
9/1/2023	*Deadline for Carlotta Bank 2 subscriptions*
10/1/2023	*Contingency Date for Gabilan Bank 2 subscriptions*
10/31/2023	*Contingency Date for Carlotta Bank 2 subscriptions*
5/1/2025	*In-Service Date for Gabilan Bank 2*
5/31/2025	*In-Service Date for Carlotta Bank 2*
6/1/2025	*In-Service Date for Vasona 1109*

Note that the IE's role was limited to understanding the overall process, to collecting information from respondents about their experience with the 2022-2023 PP, and to reviewing data from the 2021-2022 PP to develop recommendations whether to continue the PP program and recommendations for improvement. The schedule of our information collection is detailed in Section 3.2.

1.4 High Level Summary of Findings

The IE confirmed with PG&E that no aggregators submitted projects for the 2022-2023 PP as of March 15, 2023. The IE performed a survey to identify potential improvement opportunities for the Partnership Pilot solicitation, and we have included a recommendations section based on our analysis of the survey responses. We thank PG&E and the CPUC ED for their time, collaboration, and cooperation in our analysis and assessment.

[1] This is for pre-screened aggregators from the 2021-2022 PP
[2] At this date, the Subscription Launch begins, allowing aggregators to begin subscribing to the program
[3] As this date falls on a weekend, the deadline is automatically moved to the next business day – Monday, 3/27/2023

2 Describe the IE's Role

This section provides a description of the role of the IE throughout the solicitation process, including PA's specific activities for the 2022-2023 PP.

2.1 IE's key roles and responsibilities

The CPUC requires an IE for Investor Owned Utilities ("IOUs") long-term resource procurement Request for Offers ("RFOs").[4] The role of the IE is to provide advice to the utility on the design, administration, and evaluation aspects of the RFO. The CPUC clarified that the role of the IE is not to conduct or administer the solicitation, but to "separately evaluate and report on the IOU's entire solicitation, evaluation, and selection process."[5]

Additionally, the IE is to review and opine that PG&E treats all bidders fairly and equitably and that no particular counterparty is favored. The IE also reviews that the bid selection process is transparent and is aligned with the procurement requirements. PG&E can also call on the IE's advice as to various evaluation issues that may arise during the Solicitation process.

2.2 PA's role as IE

Despite several aggregators requesting access to the solicitation via the sourcing platform for many of the listed projects, there have not been any reservations made for the project needs. As such, PA's activities conducted as IE for this solicitation were generally limited to designing, conducting, and analyzing the results from an aggregator Engagement Survey.

PA developed the Engagement Survey with the intent of seeking feedback from aggregators in the market related to the design of the Partnership Pilot program, its processes for contracting, and to identify any potential barriers to participation in the program. After collaborating with the CPUC, other Independent Evaluators, and PG&E to design the questions and format of the survey, PA provided the survey to PG&E for distribution to aggregators in the market. PA then analyzed and interpreted the results from the survey, including conducting a follow-up interview with one survey respondent. A comprehensive description of the survey and its design and administration follows in Section 3 of this report.

[4] California Public Utilities Commission, Decision (D.) 04-12-048, Dec. 16, 2004, and Decision (D.) 06-05-039, May 26, 2006.
[5] D. 06-05-039, p. 46.

3 Engagement Survey Results

3.1 The need for an engagement survey

The CPUC issued Resolution E-5190, which has several relevant items as it relates to an engagement survey for the Partnership Pilot.

- P. 5/6: “The Commission agrees that the IOUs must provide relevant data to the IE within a timeframe that allows the IE to conduct a thorough assessment of data.”
- P. 9: “The Commission clarifies here the role of the IE is to review the IOU pilot solicitation process, outcomes, and recommendations and present their own independent analysis and recommendations on pilot improvement and off-ramp considerations. We also acknowledge that where there is insufficient data available the IE is not required to make a recommendation on a particular aspect of the pilot including off-ramping. Therefore, we direct the IOUs to amend the IE scope of work to clarify that the IE may undertake its own analysis in parallel to the IOUs, and the IE is empowered to draw its own conclusions based on its parallel analysis, the IOU analysis, or some combination of the two.”
- P. 14: “March 15: IOU Partnership Pilot Evaluation Reports due” and “March 25: IE Partnership Pilot Evaluation Reports due”.

Accordingly, our interpretation of Resolution E-5190 indicates that the IE must (a) obtain data as it relates to Partnership Pilot participation, (b) obtain direct insights from participants and potential participants on their experience with the Partnership Pilot, (c) review the data and provide an independent view on the future of the Partnership Pilot program, and (d) summarize our findings in a report due on March 25, 2023 to the CPUC.

3.2 Questionnaire drafting and distribution

PA approached the questionnaire by coordinating with various parties to support consistency in the questions asked to various utilities. On January 12, 2023, PA held a meeting with the other IEs and the CPUC’s Energy Division to discuss critical needs for the survey. The following items were discussed:

- Whether payments or gifts to survey respondents should be included in the Survey
- Whether Community Choice Aggregators (“CCAs”) should be included in the Survey
- What approach to the Survey will be the most fruitful (e.g., Phone, E-mail, or other means)
- Who should communicate to the Survey Respondents (e.g., the Utility directly, or the IE directly)
- What tools should be used to approach the Survey (e.g., Qualtrics, SurveyMonkey)
- What is the scope of the Survey (e.g., Cycle 1 of PP, Cycle 2 of PP, or both?)

Ahead of this January 12 discussion, PA shared a preliminary draft of initial questions. All IEs, and the CPUC ED, had a chance to review the questions in detail and provide comments and feedback both during the session and offline. Between January 12 and February 14, 2023, PA refined the survey questions and created a SurveyMonkey page to solicit feedback. Additionally, PA provided the preliminary draft to PG&E for further review. Please refer to the Appendix for the details of these survey questions. The survey followed this schedule:

Date	Description
2/9/2023	PA sends an informational email indicating that the survey will be released the following week to twenty-one (21) individuals representing the aggregators that signed up for the pilot
2/22/2023	PG&E sends an email to all participants on the aggregator list with a link to the survey; the CPUC Energy Division and IE are copied on this mass email
2/28/2023	PG&E sends individual reminds to participants on the aggregator list with a link to the survey, asking participants who have not responded yet to respond as soon as possible
3/1/2023	Deadline for Survey Completion

Date	Description
3/15/2023	Deadline for PG&E to file IOU Partnership Pilot Report
3/25/2023	Deadline for IE to file IE Partnership Pilot Report

3.3 Questionnaire responses and results

The PA team received responses from two respondents, which are more thoroughly documented in the Appendix section of this report. A summary of which questions were responded to is included below. Note that the questions below are denoted as optional. Question #18 and #19 are required, however, they ask the respondent for their contact information and as such they are excluded from the evaluation performed below.

#	Question Description	Respondent #1	Respondent #2
1	What customer outreach actions did you take for the PP Cycle 1 / 2021-2022 PP? (Please select all that apply)	Answered	Answered
2	If no outreach actions were taken, what prevented you from performing outreach? (Please select all that apply)	Not Answered	Answered
3	How did your customers respond to the PP Cycle 1 / 2021-2022 PP?	Answered	Answered
4	If you were not able to identify customers for this opportunity, why not? (Please select all that apply)	Answered	Answered
5	If you did have customers for PP Cycle 1 / 2021-2022 PP, was there customer attrition? If so, why?	Not Answered	Not Answered
6	The reservation process was clear and easy to use.	Answered	Answered
7	The timing of the subscription period was clearly identified, either on the PG&Es Partnership Pilot webpage or through other means.	Answered	Answered
8	The timing of contract execution (i.e., contracts are not executed until 90% of the initially-identified distribution need is met with validated Aggregator reservations) did not impact your ability to sign up customers.	Answered	Answered
9	120% is an appropriate procurement margin (i.e., validated Aggregator reservations totaling 120% of the initially-identified distribution need).	Answered	Answered
10	The Tariff Budget was clearly defined by PG&E, either on the PG&Es Partnership Pilot webpage or through other means.	Answered	Answered
11	The tiered payment structure was clearly defined by the PG&E, either on the PG&Es Partnership Pilot webpage or through other means.	Answered	Answered
12	The information on the Partnership Pilot webpage was complete and sufficient for your customers to understand their opportunity and role.	Answered	Answered
13	The prescreening process was clear and efficient.	Answered	Answered
14	For any question that you answered "strongly disagree" or "slightly disagree", do you have any suggestions for improvement?	Not Answered	Answered
15	What could PG&E, Energy Division, or the CPUC do to improve the aggregator experience?	Not Answered	Answered
16	Any additional comments you'd like to provide?	Not Answered	Answered
17	You'd like a follow up call to further discuss program experience and potential improvements.	Not Answered	Answered

Respondent #2 denoted in Question #17 that they wish to have a follow-up call to further speak about their experience with the Partnership Pilot. On March 16, 2023, the IE and Respondent #2 held a follow-up interview to discuss their feedback.

Please refer to the section below for high-level insights from this survey and interview process.

3.4 Insights from the engagement survey

The following insights are focused on questions where the answers were not unanimously the most positive potential answer (e.g., “Strongly Agree”). Some questions, therefore, have been skipped.

#	Question Description	Insights
1	What customer outreach actions did you take for the PP Cycle 1 / 2021-2022 PP? (Please select all that apply)	Only one (1) of two (2) respondents solicited interest from specific customers
2	If no outreach actions were taken, what prevented you from performing outreach? (Please select all that apply)	One (1) respondent indicated that the investment in time and effort was not worth the value and uncertainty
3	How did your customers respond to the PP Cycle 1 / 2021-2022 PP?	Both respondents could not find customers for this opportunity
4	If you were not able to identify customers for this opportunity, why not? (Please select all that apply)	One (1) respondent indicated that there was no economic project available, whereas one (1) respondent indicated that there are not enough customers located near the opportunity, that the program is too complicated, and that there is a high-risk associated with engaging with customers if a contract cannot be obtained
8	The timing of contract execution (i.e., contracts are not executed until 90% of the initially-identified distribution need is met with validated Aggregator reservations) did not impact your ability to sign up customers.	One (1) respondent indicated “Strongly Agree” whereas one (1) respondent indicated “Strongly Disagree”
10	The Tariff Budget was clearly defined by PG&E, either on the PG&Es Partnership Pilot webpage or through other means.	One (1) respondent indicated “Strongly Agree” whereas one (1) respondent indicated “Strongly Disagree”
11	The tiered payment structure was clearly defined by the PG&E, either on the PG&Es Partnership Pilot webpage or through other means.	One (1) respondent indicated “Strongly Agree” whereas one (1) respondent indicated “Slightly Agree”
12	The information on the Partnership Pilot webpage was complete and sufficient for your customers to understand their opportunity and role.	One (1) respondent indicated “Strongly Agree” whereas one (1) respondent indicated “Strongly Disagree”
14	For any question that you answered "strongly disagree" or "slightly disagree", do you have any suggestions for improvement?	One (1) respondent indicated the following: Contract Execution: Creates low certainty and high risk for expending resources to engage with customers prior to a contract execution. Tariff Budget: PG&E should clearly define the resource price per unit in either kilowatt (“kW”) or kilowatt-hour (“kWh”) from the budget and tier structure instead of expecting aggregators to determine from the budget. The Partnership Pilot webpage is vague to a customer and doesn't describe the locations, value, or options to participate. All it does is show the approved aggregators.

#	Question Description	Insights
15	What could PG&E, Energy Division, or the CPUC do to improve the aggregator experience?	One (1) respondent indicated the following: Contract Term: The contract term should be for the full need over a 10-year term to create more price & value certainty. Contracting Certainty & Cost: Either prevent reductive revisions to the location need or fairly compensate aggregators for enrolling customers ahead of the contracting process ($/customer affidavit) to offset aggregator customer outreach efforts. Engaging with and securing customers is costly especially with no certainty of contracting.
16	Any additional comments you'd like to provide?	One (1) respondent also indicated the following: Marketing: Marketing the program to specific subsets of customers (BTM residential vs BTM commercial), new installations vs existing resources, to prevent multiple aggregators from engaging with the same overlapping customer groups.

Additionally, as indicated above, we spoke with Respondent #2. Per this discussion, the following items were discussed:

- Respondent #2 introduced themselves and their team
- Respondent #2 provided a high-level overview of their company
- Respondent #2 indicated appreciation for the unique structure of the Partnership Pilot and that it enables market participants, such as Aggregators, to participate in procurements
- Respondent #2 indicated that they looked at all three (3) grid-needs in the Partnership Pilot, but decided not to pursue because they did not believe addressing the grid-need was feasible with their resources
- Respondent #2 provided the following additional context to the answers to their questions:
    - Per Respondent #2, aggregation contracts are typically awarded *prior* to securing customer contracts. Aggregators will assess the market, including the penetration of Distributed Energy Resources ("DERs"), potential of further penetration of DERs, and incentive availability, and will sign a contract with the utility after they are comfortable that they will be able to sign-on enough customers to match the grid need. The Partnership Pilot is different, as it requires customer affidavits to be signed as a condition of contract award.
    - Per Respondent #2, like the above, the requirement that the 90% threshold must be met prior to being awarded the off-take contract makes contracting with individual customers difficult because if the threshold is not met, customer affidavits / contracts must be nullified and the relationship with the customer may be damaged.
    - Per Respondent #2, aggregation contracts are simpler if the utility provides them with a set $/kW or $/kWh rate expectation for the contract. Aggregators will assess the $/kW or $/kWh price and create incentives[6] structures for customers accordingly. The Partnership Pilot is different, as it does not include a $/kW or $/kWh value but rather a total budget and total need, which requires additional calculations and analysis by the aggregator.
    - Per Respondent #2, there is not a distinction between Commercial & Industrial ("C&I") and Residential customers under the terms of the agreement. The aggregator was concerned that, in combination with the requirement to have customer-signed affidavits and a lack of

[6] Incentives include payments made by the aggregators to customers to encourage them to adopt energy efficiency or DER upgrades

distinction between C&I and Residential, that customers will have multiple offers from various aggregators.

- Respondent #2 thanked us for their time, and indicated that they would provide us with further information and ideas as they have them

4 Recommendations

PA's recommendations on the Partnership Pilot Program is based on data collected & observations made, PA's experience serving as an independent evaluator of other solicitations, and evaluation criteria specified by the CPUC.

PA's answers to the CPUC's evaluation criteria questions, as documented in Resolution E-5190 – Attachment A are included in the sections below.

4.1 Success Criteria & Performance Metrics

Success Criteria are included below:

Success Criteria	Questions to Analyze	IE Response
Procurement Results	• Were sufficient DER's procured to meet the grid need? If not, why? • Were DERs cost-effective compared to the planned investment? • Of the projects selected for piloting, how many were successfully procured for? What is the percentage?	**N/A –** No DERs were procured
DER / Aggregator Performance	• Did the DER perform to meet the full grid need? If not, what percent of grid need was met? Why did the DER not perform? • Did the DER perform according to its contractual obligations? How long did it take the DER to respond? • How did the DER perform when called upon day-ahead and day-of? How many dispatch calls were requested and how frequently were they met? • Did technology or DER type affect performance? • Were any projects originally approved to participate ultimately deemed non-incremental? Provide additional detail.	**N/A –** No DERs were procured
Local Distribution Reliability	• Did the DERs defer the wires investment? Was a contingency plan implemented? • Were other measures taken to mitigate a violation (e.g., switching, temporary generation, etc.)? • Did a violation (e.g., overload, overvoltage, undervoltage, etc.) occur? If so, why? • Were there any service interruptions or was system reliability impacted? • Did the DER impact operational flexibility? If so, how? • Did the DER project impact asset health? If so, how?	**N/A –** No DERs were procured

Performance Metrics are included below:

Performance Measures	Qualitative Analysis	Quantitative Analysis	IE Response
Acceptance Trigger	• Is 90% the appropriate trigger level? • How many projects met 90% of the need? 100%? 120%? • How did the type of project (size, location, etc.) affect each procurement milestone of pilot differently?	• Cycle time from launch to 90% (acceptance trigger, 100% (full need) and 120% (procurement margin) • Cycle time between each above milestone • # of Deferrals that hit 90%, 100% and 120%	There are no values to provide for the quantitative analysis, as there were no bids. As such, no projects met any amount of the need. Based on our review of survey data and interview insights, 90% is a difficult threshold to achieve given the requirement to have customer affidavits and limited contract periods.
Procurement Margin	• Was the 120% margin achieved? • Is 120% the appropriate procurement margin?	• Cycle time from launch to 90% (acceptance trigger, 100% (full need) and 120% (procurement margin) • Cycle time between each above milestone • # of Deferrals that hit 90%, 100% and 120%	There are no values to provide for the quantitative analysis, as there were no bids. We did not obtain enough information to determine if 120% is reasonable margin.
Customer Attrition and Experience	• Was there customer attrition? • At what stage did attrition occur? Did attrition occur because the subscription period was open too long? Did originally interested customers drop out before contracts were executed? • What were the specific reasons for attrition? Break down into categories if possible. • Was customer attrition mitigated by procurement margin, acquiring new customers, or both? • How was the customer experience? Were expectations cleared communicated? How can it be improved?	• Customer attrition rate during each phase of pilot • % of need lost to attrition • Customer satisfaction metrics	There are no values to provide for the quantitative analysis, as there were no bids. We do not obtain enough information to determine customer attrition rates or customer satisfaction metrics. One aggregator indicated that they did begin to pursue customers but chose not to subscribe, but we do not have sufficient information beyond that.

Performance Measures	Qualitative Analysis	Quantitative Analysis	IE Response
Subscription Period	• Should a minimum or maximum timeframe be placed on the subscription period/tranche? • Is the contingency date the appropriate end point for the subscription period? Were there additional steps needed because of the pilots? • Did customer enrollment happen gradually? Front loaded or at the tail end? • Was it easier to enroll new or existing customers and why?	• Cycle time from launch to 90% (acceptance trigger, 100% (full need) and 120% (procurement margin) • Cycle time between each above milestone • # of Deferrals that hit 90%, 100% and 120% Distribution of customer enrollment during subscription period • # and amount of Deployment payments • # of new and existing DER customers enrolled. • % of need met by new and existing customers.	There are no values to provide for the quantitative analysis, as there were no bids. Setting maximum timeframe on the subscription period may be beneficial in that it 1) incentivizes aggregators to enroll customers within a given timeframe and 2) it may help provide aggregators with a shorter timeframe in which they're able to follow-up with customers, after enrollment, on whether the contract was pursued or won. This could help aggregators incentivize customers to enroll as there may be a shorter timeframe. Customer enrollment did not occur, and therefore it is unclear if it is easier to enroll new or existing customers.
Ratable Procurement	• Did the grid need change? If so, did ratable procurement allow for an incremental procurement in line with the grid need changing? Or were DERs no longer required? • Did aggregators feel restricted by procuring DERs for one procurement tranche as opposed to procuring for the whole grid need? • Would non-ratable procurement (procurement of DERs to meet entire deferral need) have been more effective?	• Changes in forecast (MWs) over pilot lifecycle • Aggregator survey	There were no changes to the grid need that the IE is aware of. Per our aggregator survey and interview with Respondent #2, the aggregators did not provide feedback specifically on the size of the procurement tranches, but rather, were concerned with the need to have signed customer affidavits prior to contracting, and that the agreement period was only for one year at a time. Refer below to our recommendations for additional information.
Tiered Payment Structure	• At what point did aggregators receive Capacity Reservation tier payments and why? • Was there any difference in DER performance based on whether the customer received a deployment incentive?	• Percent new vs existing DER customers. • Percent of enrolled customers that received 1) enrollment payment, 2) reservation payment, and 3) performance payment.	There are no values to provide for the quantitative analysis, as there were no bids.

Performance Measures	Qualitative Analysis	Quantitative Analysis	IE Response
	• Is the 20/30/50 breakdown of the incentive structure appropriate?		
Tariff Budget	• Was the full 85% tariff budget paid? If not, why was it less than 85% Or did it exceed 85% and why? • Is 85% the appropriate tariff budget to account for procurement risk? • Did the deferral value change after IOUs could not update cost caps, and how did that impact cost-effectiveness? • Would administrative and other unexpected costs make the pilots non-cost effective? • How did the savings compare to savings for DER projects procured through an RFO?	• If contracts executed but 100% procurement was not reached, amount spent on deployment payments on top of contingency costs. • Other costs associated with either pilot structure that would not have been incurred with other procurement mechanisms.	There are no values to provide for the quantitative analysis, as there were no bids. While we cannot opine on whether the budget of 85% to the 2022-2023 PP is reasonable or not, one respondent indicated that they would prefer a $/kW and/or a $/kWh value to make their financial analysis and assessment to pursue simplified. Separately, per our discussion with PG&E, PG&E indicated that there are additional, incremental costs to running the Partnership Pilot on top of the other DIDF-related solicitations. This includes incremental documentation, website development, PowerAdvocate® set-up, email set-up, evaluation time, and meetings. If the 2022-2023 PP does not yield subscriptions, these incremental expenses would not result in savings.
Marketing Partnership	• How was the aggregator experience? How can it be improved? • Did the IOU marketing partnership help aggregators with customer acquisition? If not why and how can it be improved? • How much traffic was there on the website and how did users move through the steps to receive marketing materials from vendors?	• Aggregator survey • IOU website tracking (number of clicks, navigation, etc.) • IOU website satisfaction survey • Costs associated with development of website and tracking	Per our survey and interview, there were mixed reviews about the aggregator experience (refer to A.5 Appendix: Survey Results). Out of a total 2,684 emails contacted on the distribution list, there were sixteen (16) registrations on the PowerAdvocate® website for Cycle 1 and five (5) registrations for Cycle 2. Separately, there were four (4) downloads of the “Protocol” document for Cycle 2 from the website. Note that there is a pre-screening process for Aggregators, and only a sub-set of the 2,684 emails on the distribution would be classified as Aggregators (many others would be renewable project developers). The Aggregators that did respond to our survey indicated the following: - There were mixed reviews about the clarity of the tariff budget on the website - There were mixed reviews about the clarity of the

Performance Measures	Qualitative Analysis	Quantitative Analysis	IE Response
			tiered payment structure on the website - There were mixed reviews about the clarity of customer opportunities and roles on the website Other questions related to the website indicated that the website and associated documents were clear about the program. PG&E worked to facilitate a smooth process for aggregators to become pre-screened. Furthermore, we cannot comment on customer acquisition as no aggregator put a contract forward through either the 2021-2022 PP or 2022-2023 PP. Accordingly, we do not see that the IOU Marketing Partnership had an impact on customer acquisition.
Pre-Screening	• Did the prescreening process meet the intention to ascertain the experience, financial strength, and dispatch ability of DER providers? • If aggregators failed, why? What can be done to improve the pass rate? • Are there any aspects of the prescreening process that can further streamline the contracting process? • Are there changes, additional criteria, or increased vetting of applications that should be included in prescreening?	• Prescreening costs • Number and percentage of pass/fail • Number of applicants during each prescreening period. • Cycle time for processing prescreening applications.	In total, thirty (30) aggregators registered, seventeen (17) applied for pre-screening, and sixteen (16) passed the pre-screening process. The one (1) that failed the pre-screening process, failed because the aggregator answered “No” to the following question: *“Do you attest that the Applicant and/or member of the Applicant’s team has completed at least one other project of the selected DER technology(ies) operating together with a total aggregated capacity of at least one MW?”* Given the very high pass rate (94.1%), there are no recommendations for improving the pass rate at this time. Additionally, we do not have recommendations to further improve the prescreening process.
SOC Price Sheet	• Did bidders tend to bid at the same price? If not, what was the standard deviation?	• Price points and deferral value, number of bidders at each.	There are no values to provide for the quantitative analysis, as there were no bids.

4.2 Our Recommendations to Improve the Partnership Pilot Program

Our recommendations to improve the Partnership Pilot Program are based off our experience with similar solicitations and our survey results. PA believes that there may be opportunity for the Partnership Pilot to be successful and obtain success through having more market penetration of customers participating in the Partnership Pilot Program through aggregators. If implemented, these recommendations may alleviate some of the challenges identified with the Partnership Pilot and encourage additional participation. PG&E and the CPUC ED should consider if the Partnership Pilot program should be continued in its' current state, discontinued, or reformed with the below recommendations and/or recommendations from other IE's.

Recommendation #1:

Consider reviewing the contracting arrangements to determine if there are additional clauses (such as right-of-first-refusal, or automatic renewal if performance metrics are met) that may encourage aggregators to apply, and if these should be clearly indicated in the protocol document and/or website. The IE's understanding is that each tranche of the 2021-2022 PP and 2022-2023 PP includes a one-year contract, and it is unclear based off of the protocol document and other attachments whether these automatically renew if performance metrics or met, and/or if the aggregator awarded the one-year contract has the right-of-first-refusal. The aggregator we spoke with indicated that they feel more comfortable responding to an RFP if there is more clarity that revenue will be recurring past one year.

Recommendation #2:

Consider if allowing aggregators to provide a plan for how they will procure enough customers rather than requiring customer affidavits prior to contract execution may increase participation. Per our discussion during the interview process, the aggregator indicated that they typically provide documentation evidencing that (a) the market is large enough to support the capacity and/or energy need, and (b) their marketing and outreach plan to arrive at enough customers to meet said need. The challenge of obtaining customer affidavits, in combination with the revenue uncertainty documented above, was cited as potentially limiting aggregator participation in the Partnership Pilot. PG&E and/or the CPUC ED should also consider if there are alternative methods of validating that if more than one aggregator is needed to address a grid need that customers are not being double counted (e.g., having separate components for C&I versus Residential, as documented in Recommendation #4).

Recommendation #3:

Consider if a fixed $/kWh energy and/or $/kW capacity payment rather than a total dollar budget is helpful to aggregators to decide more quickly whether to bid. As it currently stands, the deferral value is calculated as a lump sum using the Real Economic Carrying Charge ("RECC")[7] methodology, which includes net present value discounting and other calculations. Furthermore, the tranche budget represents 85% of the deferral value. This requires aggregators to perform an additional financial analysis to determine the size and type of incentives that could be provided to customers under the budgetary constraints, which creates an additional step prior to the decision to bid. Typically, incentives are presented to customers as $/kWh energy and/or $/kW capacity payments and the aggregators have market knowledge for what size and structure of incentives would encourage customer adoption sufficiently using the above presentation.

This information could be provided as an online tool or calculator if the utilities and CPUC ED wish to keep the tranche budget.

Recommendation #4:

Consider separating the solicitation into C&I and Residential paths and award an aggregator or aggregators a contract to focus on either path. This recommendation could be implemented through the use of additional criteria that aggregators are evaluated against in the pre-screening process, effectively making the pre-

[7] Further described in PG&E's filing linked here

screening process more selective. This would limit potential overlap between aggregators looking to market the program, so that customers do not receive multiple incentive offers from more than one aggregator. In doing so, all pre-screened aggregators would not all be competing for the same customer(s). This could result in the barrier to aggregators obtaining signed customer affidavits being lessened and/or the IOU may be acceptable to a lessened requirement around aggregators obtaining the customer affidavits as there is less likelihood of overlap between aggregators.

Recommendation #5:

Consider providing additional information to pre-screened aggregators with signed non-disclosure agreements such as penetration of rooftop solar, behind-the-meter batteries, and other details to improve and refine the aggregators market assessment. The IE acknowledges that Integration Capacity Analysis ("ICA") maps are made available to bidders, but there may be opportunities to provide additional geo-spatial and other demographic and usage data to allow bidders to determine whether they would like to bid more quickly.

Recommendation #6:

Consider updating the Partnership Pilot website to provide additional information about the grid need, the schedule, and other high level information, rather than embedding this information within the links in the data.

Recommendation #7:

Consider requiring aggregators to report certain metrics and outcomes to the IOU and/or IE, as a requirement of being selected onto the pre-screened aggregators list for the Partnership Pilot. Some data needed to complete analysis for questions presented in the performance measures evaluation criteria require holistic feedback and data from the aggregators. Specifically, the Marketing Partnership and the Customer Attrition and Experience performance measure evaluation criteria are best answered with direct feedback and data from the aggregators. However, given the low response rate to the survey PA conducted, it is difficult to provide detailed responses to those evaluation criteria in this report.

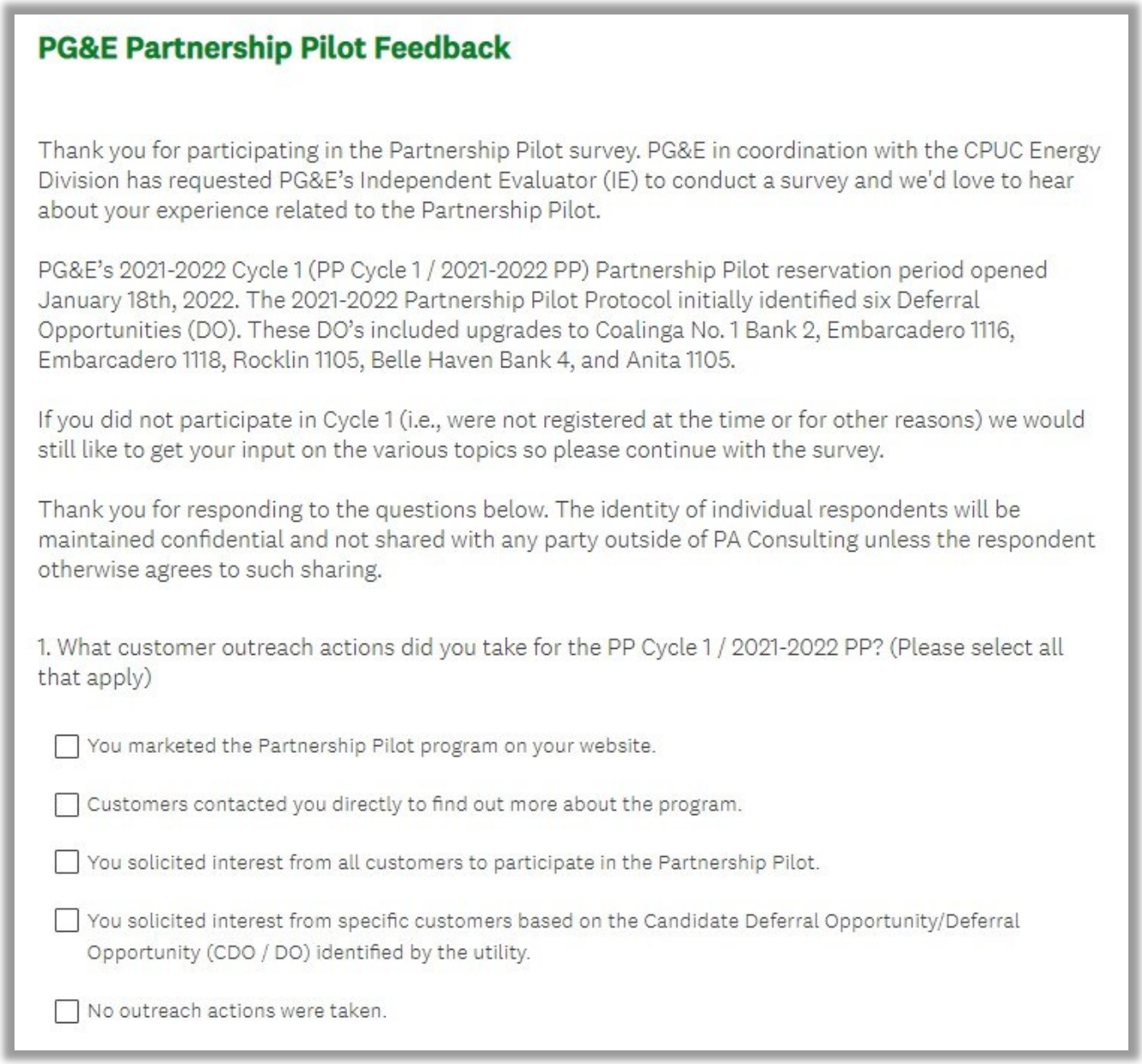
As such, PA recommends that aggregators be required to submit the following data in December of each year, as a requirement of the aggregator being accepted onto the pre-screened aggregator list.

Recommended Data that Aggregators be Required to Submit:

- Customer attrition data for the previous year of the Partnership Pilot cycle, including:
  - The customer attrition rate during each phase of the Partnership Pilot cycle.
  - The percent of the deferral need that was lost to attrition.
  - When the customer attrition occurred in relation to the subscription period timeline.
  - The number of customers that were initially interested and dropped out before contracts were executed.
  - List of prominent reasons as to why the aggregator experienced customer attrition.
  - If possible to mitigate customer attrition, provide how it was mitigated.
  - Customer satisfaction metrics.
- Marketing partnership data for the previous year of the Partnership Pilot cycle, including:
  - Feedback on how the IOU marketing partnership helped aggregators with customer acquisition.
  - Feedback on how the IOU marketing partnership can be improved to better distribute aggregator marketing materials.

A Appendices

A.1 Appendix: Screenshots of Survey



PG&E Partnership Pilot Feedback

Thank you for participating in the Partnership Pilot survey. PG&E in coordination with the CPUC Energy Division has requested PG&E's Independent Evaluator (IE) to conduct a survey and we'd love to hear about your experience related to the Partnership Pilot.

PG&E's 2021-2022 Cycle 1 (PP Cycle 1 / 2021-2022 PP) Partnership Pilot reservation period opened January 18th, 2022. The 2021-2022 Partnership Pilot Protocol initially identified six Deferral Opportunities (DO). These DO's included upgrades to Coalinga No. 1 Bank 2, Embarcadero 1116, Embarcadero 1118, Rocklin 1105, Belle Haven Bank 4, and Anita 1105.

If you did not participate in Cycle 1 (i.e., were not registered at the time or for other reasons) we would still like to get your input on the various topics so please continue with the survey.

Thank you for responding to the questions below. The identity of individual respondents will be maintained confidential and not shared with any party outside of PA Consulting unless the respondent otherwise agrees to such sharing.

1. What customer outreach actions did you take for the PP Cycle 1 / 2021-2022 PP? (Please select all that apply)

- ☐ You marketed the Partnership Pilot program on your website.
- ☐ Customers contacted you directly to find out more about the program.
- ☐ You solicited interest from all customers to participate in the Partnership Pilot.
- ☐ You solicited interest from specific customers based on the Candidate Deferral Opportunity/Deferral Opportunity (CDO / DO) identified by the utility.
- ☐ No outreach actions were taken.

2. If no outreach actions were taken, what prevented you from performing outreach? (Please select all that apply)

- [ ] You were not registered for the first cycle
- [ ] You are a Community Choice Aggregator

Other (please specify)

3. How did your customers respond to the PP Cycle 1 / 2021-2022 PP?

- [ ] You had some customer interest but not enough to move forward to enroll
- [ ] You enrolled customers to meet less than 90% of the need
- [ ] You enrolled customers to meet 90%-100% of the need
- [ ] You enrolled customers to meet 100%-120% of the need
- [ ] You enrolled customers to meet the full 120% of the need
- [ ] You were not able to identify customers for this opportunity

4. If you were not able to identify customers for this opportunity, why not? (Please select all that apply)

- [ ] Not enough customers are located near the opportunity.
- [ ] You did not receive enough information on the opportunity.
- [ ] The technology you provide would not work for this opportunity.
- [ ] No economic projects identified.
- [ ] Program too complicated.
- [ ] Not sure how to market program.
- [ ] Not sure how to meet defined need.
- [ ] There was not enough time to evaluate and market the opportunity

Other (please provide additional information and suggestions)

5. If you did have customers for PP Cycle 1 / 2021-2022 PP, was there customer attrition? If so, why?

- ◯ Yes- don't know
- ◯ No
- ◯ Yes- reasons being:

For questions 6-13, please choose from the following options: strongly disagree, slightly disagree, neutral, slightly agree, strongly agree or N/A, does not apply.

6. The reservation process was clear and easy to use.

Strongly disagree	Slightly disagree	Neutral	Slightly agree	Strongly agree	N/A
◯	◯	◯	◯	◯	◯

7. The timing of the subscription period was clearly identified, either on the PG&E's Partnership Pilot webpage or through other means.

Strongly disagree	Slightly disagree	Neutral	Slightly agree	Strongly agree	N/A
◯	◯	◯	◯	◯	◯

8. The timing of contract execution (i.e., contracts are not executed until 90% of the initially-identified distribution need is met with validated Aggregator reservations) did not impact your ability to sign up customers.

Strongly disagree	Slightly disagree	Neutral	Slightly agree	Strongly agree	N/A
◯	◯	◯	◯	◯	◯

9. 120% is an appropriate procurement margin (i.e., validated Aggregator reservations totaling 120% of the initially-identified distribution need).

Strongly agree	Slightly agree	Neutral	Slightly agree	Strongly agree	N/A
◯	◯	◯	◯	◯	◯

10. The Tariff Budget was clearly defined by PG&E, either on the PG&E's Partnership Pilot webpage or through other means.

Strongly disagree	Slightly disagree	Neutral	Slightly agree	Strongly agree	N/A
○	○	○	○	○	○

11. The tiered payment structure was clearly defined by the PG&E, either on the PG&E's Partnership Pilot webpage or through other means.

Strongly disagree	Slightly agree	Neutral	Slightly agree	Strongly agree	N/A
○	○	○	○	○	○

12. The information on the Partnership Pilot webpage was complete and sufficient for your customers to understand their opportunity and role.

Strongly disagree	Slightly disagree	Neutral	Slightly agree	Strongly agree	N/A
○	○	○	○	○	○

13. The prescreening process was clear and efficient.

Strongly disagree	Slightly disagree	Neutral	Slightly agree	Strongly agree	N/A
○	○	○	○	○	○

14. For any question that you answered "strongly disagree" or "slightly disagree", do you have any suggestions for improvement?

15. What could PG&E, Energy Division, or the CPUC do to improve the aggregator experience?

16. Any additional comments you'd like to provide?

17. You'd like a follow up call to further discuss program experience and potential improvements.

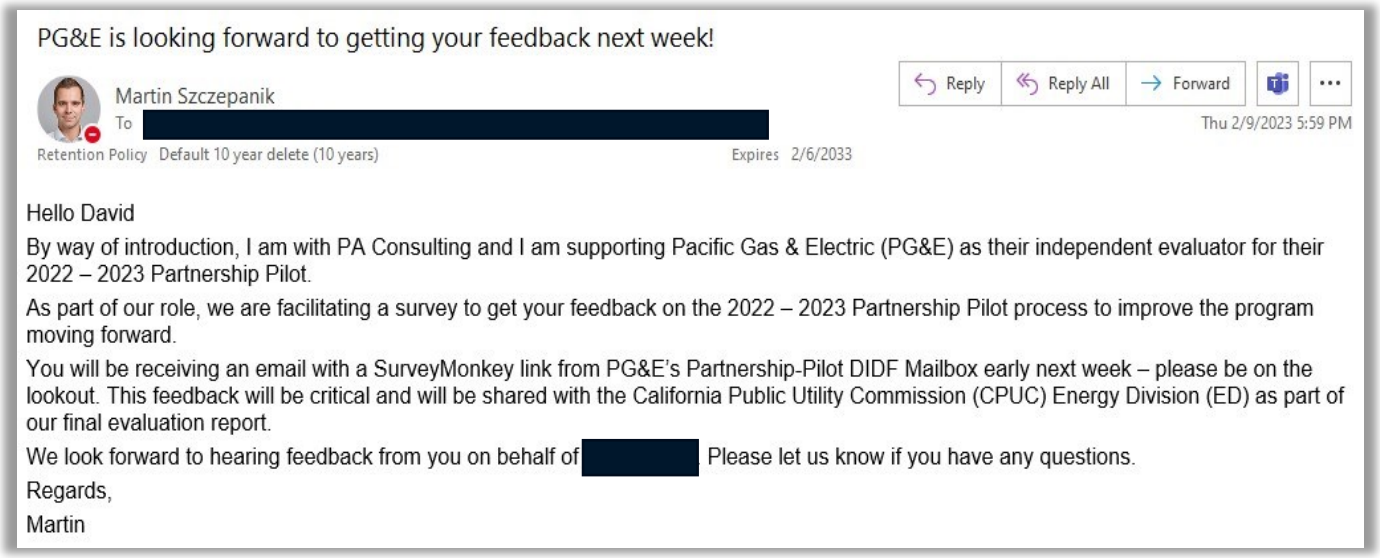
- ◯ Yes
- ◯ No

* 18. Please include your company name. (Note: the identity of individual respondents will be maintained confidential and not shared with any party outside of PA Consulting unless the respondent otherwise agrees to such sharing.)

* 19. Please include your email. The identity of individual respondents will be maintained confidential and not shared with any party outside of PA Consulting unless the respondent otherwise agrees to such sharing.

Done

A.2 Appendix: Email Example Sent by PA



PG&E is looking forward to getting your feedback next week!

Martin Szczepanik
To [redacted]

Reply | Reply All | Forward

Thu 2/9/2023 5:59 PM

Retention Policy Default 10 year delete (10 years) Expires 2/6/2033

Hello David

By way of introduction, I am with PA Consulting and I am supporting Pacific Gas & Electric (PG&E) as their independent evaluator for their 2022 – 2023 Partnership Pilot.

As part of our role, we are facilitating a survey to get your feedback on the 2022 – 2023 Partnership Pilot process to improve the program moving forward.

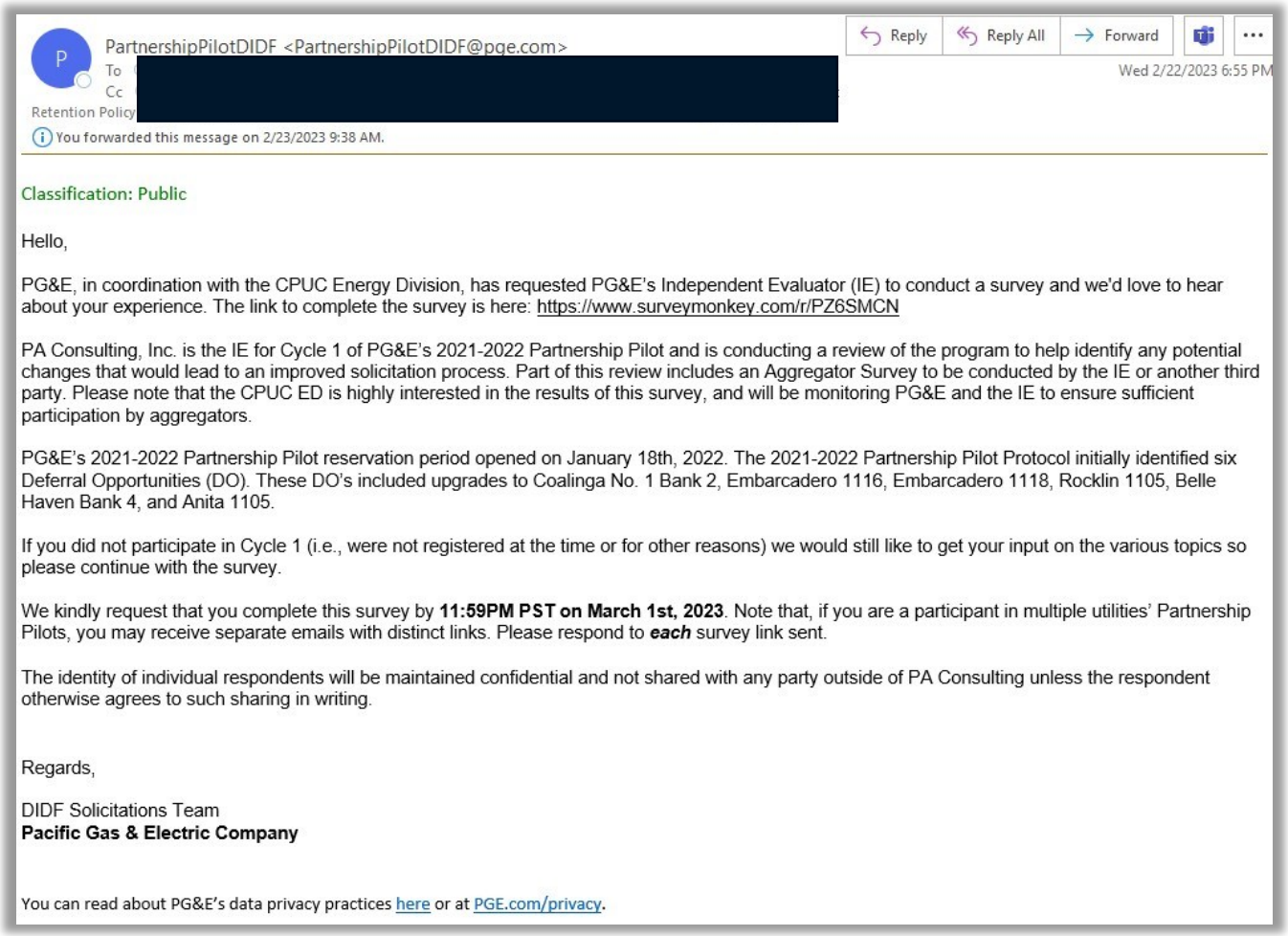
You will be receiving an email with a SurveyMonkey link from PG&E's Partnership-Pilot DIDF Mailbox early next week – please be on the lookout. This feedback will be critical and will be shared with the California Public Utility Commission (CPUC) Energy Division (ED) as part of our final evaluation report.

We look forward to hearing feedback from you on behalf of [redacted]. Please let us know if you have any questions.

Regards,

Martin

A.3 Appendix: Email Sent by PG&E



PartnershipPilotDIDF <PartnershipPilotDIDF@pge.com>
To [redacted]
Cc
Retention Policy

Reply | Reply All | Forward

Wed 2/22/2023 6:55 PM

You forwarded this message on 2/23/2023 9:38 AM.

Classification: Public

Hello,

PG&E, in coordination with the CPUC Energy Division, has requested PG&E's Independent Evaluator (IE) to conduct a survey and we'd love to hear about your experience. The link to complete the survey is here: https://www.surveymonkey.com/r/PZ6SMCN

PA Consulting, Inc. is the IE for Cycle 1 of PG&E's 2021-2022 Partnership Pilot and is conducting a review of the program to help identify any potential changes that would lead to an improved solicitation process. Part of this review includes an Aggregator Survey to be conducted by the IE or another third party. Please note that the CPUC ED is highly interested in the results of this survey, and will be monitoring PG&E and the IE to ensure sufficient participation by aggregators.

PG&E's 2021-2022 Partnership Pilot reservation period opened on January 18th, 2022. The 2021-2022 Partnership Pilot Protocol initially identified six Deferral Opportunities (DO). These DO's included upgrades to Coalinga No. 1 Bank 2, Embarcadero 1116, Embarcadero 1118, Rocklin 1105, Belle Haven Bank 4, and Anita 1105.

If you did not participate in Cycle 1 (i.e., were not registered at the time or for other reasons) we would still like to get your input on the various topics so please continue with the survey.

We kindly request that you complete this survey by **11:59PM PST on March 1st, 2023**. Note that, if you are a participant in multiple utilities' Partnership Pilots, you may receive separate emails with distinct links. Please respond to ***each*** survey link sent.

The identity of individual respondents will be maintained confidential and not shared with any party outside of PA Consulting unless the respondent otherwise agrees to such sharing in writing.

Regards,

DIDF Solicitations Team
Pacific Gas & Electric Company

You can read about PG&E's data privacy practices here or at PGE.com/privacy.

A.4 Appendix: 2nd Email Sent by PG&E

REMINDER: Help us help you. Share your Partnership Pilot experience by March 1st

Reply | Reply All | Forward

P

PartnershipPilotDIDF <PartnershipPilotDIDF@pge.com>

To [redacted]

Cc

Tue 2/28/2023 6:23 PM

Retention Policy Default 10 year delete (10 years) Expires 2/25/2033

Warning: This email originated from **outside** PA. Do not click links or open attachments unless the content is safe and expected.

Classification: Public

Dear Recipient,

If you have not already done so, could you please respond to our survey in the email below.
Thank you very much for your input.

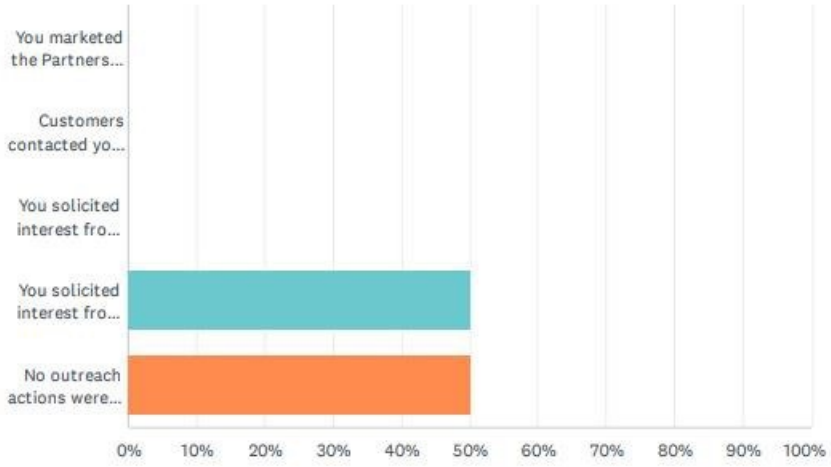
Regards,
DIDF Solicitations Team
Pacific Gas & Electric Company

A.5 Appendix: Survey Results

PG&E Partnership Pilot Feedback

Q1 What customer outreach actions did you take for the PP Cycle 1 / 2021-2022 PP? (Please select all that apply)

Answered: 2 Skipped: 0



ANSWER CHOICES	RESPONSES	
You marketed the Partnership Pilot program on your website.	0.00%	0
Customers contacted you directly to find out more about the program.	0.00%	0
You solicited interest from all customers to participate in the Partnership Pilot.	0.00%	0
You solicited interest from specific customers based on the Candidate Deferral Opportunity/Deferral Opportunity (CDO / DO) identified by the utility.	50.00%	1
No outreach actions were taken.	50.00%	1
Total Respondents: 2		

Q2 If no outreach actions were taken, what prevented you from performing outreach? (Please select all that apply)

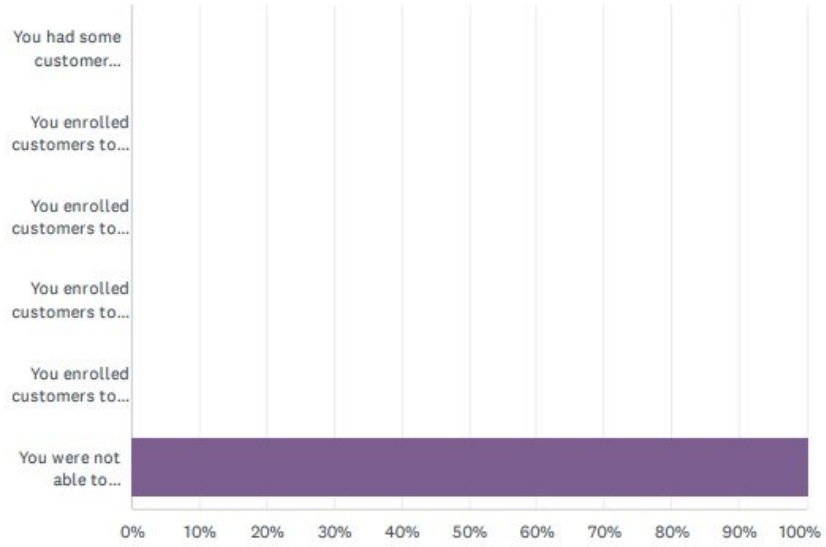
Answered: 0 Skipped: 2

⚠ No matching responses.

ANSWER CHOICES	RESPONSES	
You were not registered for the first cycle	0.00%	0
You are a Community Choice Aggregator	0.00%	0
Total Respondents: 0		

Q3 How did your customers respond to the PP Cycle 1 / 2021-2022 PP?

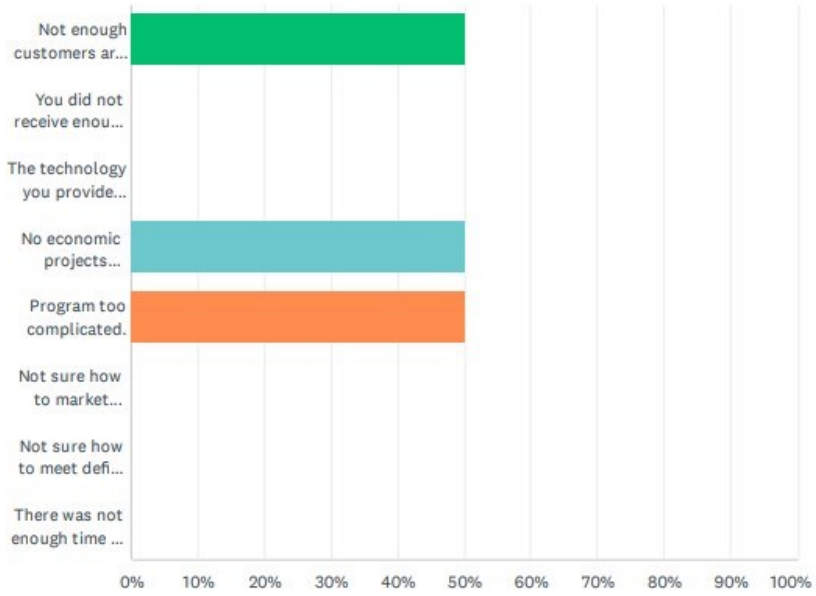
Answered: 2 Skipped: 0



ANSWER CHOICES	RESPONSES	
You had some customer interest but not enough to move forward to enroll	0.00%	0
You enrolled customers to meet less than 90% of the need	0.00%	0
You enrolled customers to meet 90%-100% of the need	0.00%	0
You enrolled customers to meet 100%-120% of the need	0.00%	0
You enrolled customers to meet the full 120% of the need	0.00%	0
You were not able to identify customers for this opportunity	100.00%	2
Total Respondents: 2		

Q4 If you were not able to identify customers for this opportunity, why not? (Please select all that apply)

Answered: 2 Skipped: 0



ANSWER CHOICES	RESPONSES	
Not enough customers are located near the opportunity.	50.00%	1
You did not receive enough information on the opportunity.	0.00%	0
The technology you provide would not work for this opportunity.	0.00%	0
No economic projects identified.	50.00%	1
Program too complicated.	50.00%	1
Not sure how to market program.	0.00%	0
Not sure how to meet defined need.	0.00%	0
There was not enough time to evaluate and market the opportunity	0.00%	0
Total Respondents: 2		

Q5 If you did have customers for PP Cycle 1 / 2021-2022 PP, was there customer attrition? If so, why?

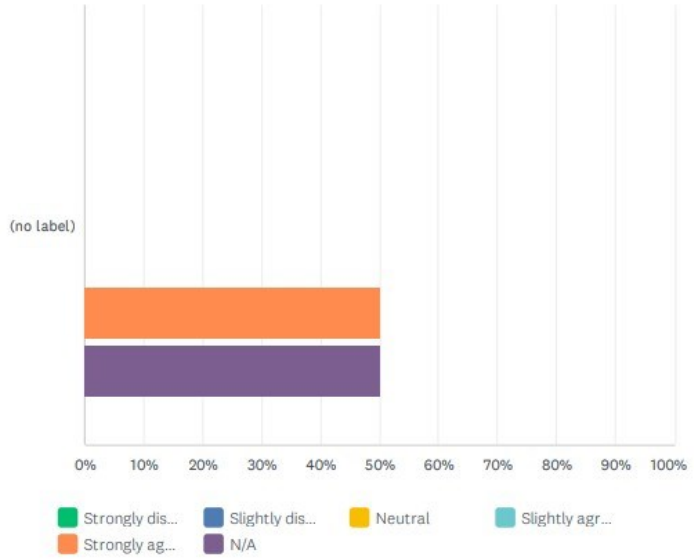
Answered: 0 Skipped: 2

⚠ No matching responses.

ANSWER CHOICES	RESPONSES	
Yes- don't know	0.00%	0
No	0.00%	0
Yes- reasons being:	0.00%	0
TOTAL		0

Q6 The reservation process was clear and easy to use.

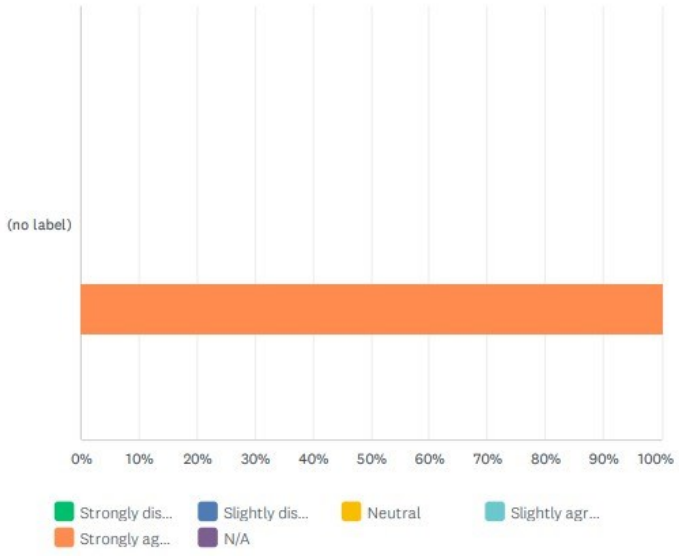
Answered: 2 Skipped: 0



	STRONGLY DISAGREE	SLIGHTLY DISAGREE	NEUTRAL	SLIGHTLY AGREE	STRONGLY AGREE	N/A	TOTAL	WEIGHTED AVERAGE
(no label)	0.00% 0	0.00% 0	0.00% 0	0.00% 0	50.00% 1	50.00% 1	2	5.00

Q7 The timing of the subscription period was clearly identified, either on the PG&E's Partnership Pilot webpage or through other means.

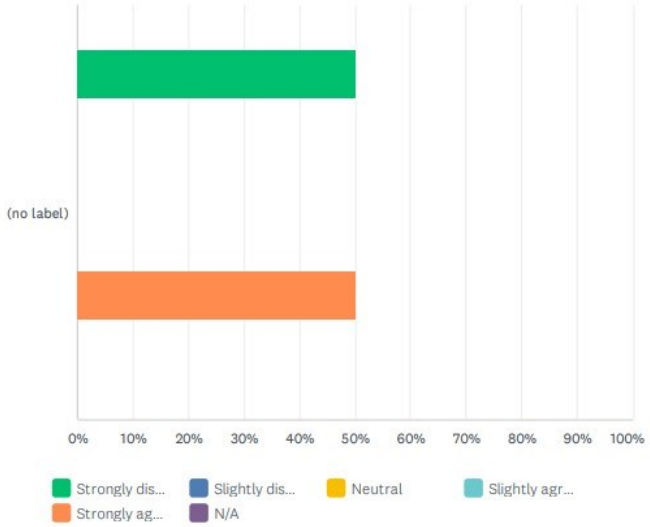
Answered: 2 Skipped: 0



	STRONGLY DISAGREE	SLIGHTLY DISAGREE	NEUTRAL	SLIGHTLY AGREE	STRONGLY AGREE	N/A	TOTAL	WEIGHTED AVERAGE
(no label)	0.00% 0	0.00% 0	0.00% 0	0.00% 0	100.00% 2	0.00% 0	2	5.00

Q8 The timing of contract execution (i.e., contracts are not executed until 90% of the initially-identified distribution need is met with validated Aggregator reservations) did not impact your ability to sign up customers.

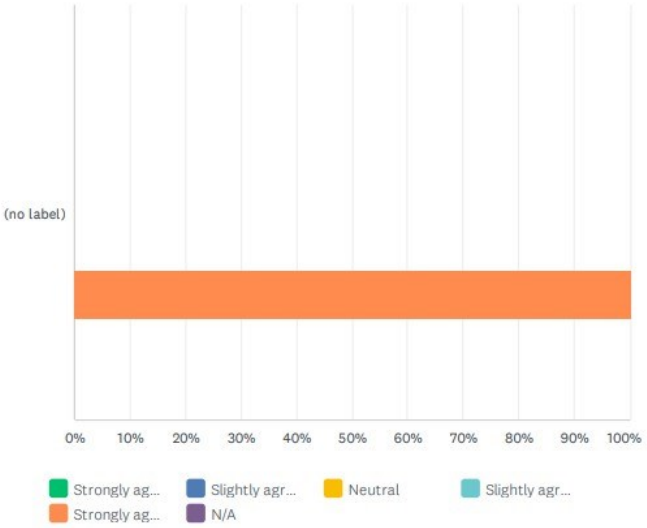
Answered: 2 Skipped: 0



	STRONGLY DISAGREE	SLIGHTLY DISAGREE	NEUTRAL	SLIGHTLY AGREE	STRONGLY AGREE	N/A	TOTAL	WEIGHTED AVERAGE
(no label)	50.00% 1	0.00% 0	0.00% 0	0.00% 0	50.00% 1	0.00% 0	2	3.00

Q9 120% is an appropriate procurement margin (i.e., validated Aggregator reservations totaling 120% of the initially-identified distribution need).

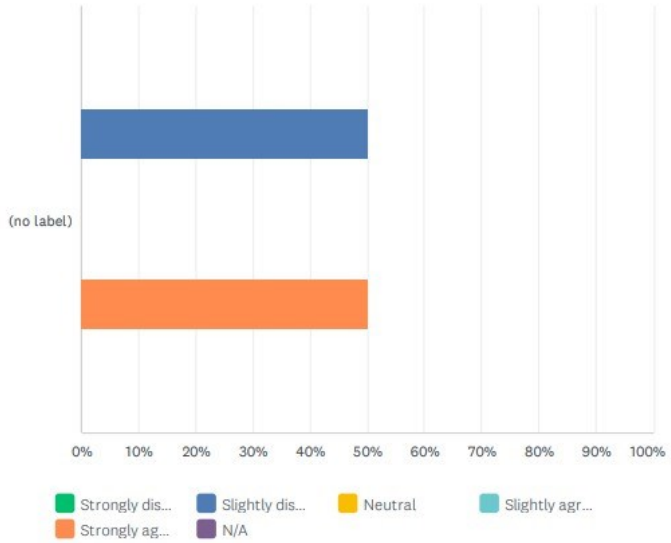
Answered: 2 Skipped: 0



	STRONGLY AGREE	SLIGHTLY AGREE	NEUTRAL	SLIGHTLY AGREE	STRONGLY AGREE	N/A	TOTAL	WEIGHTED AVERAGE
(no label)	0.00% 0	0.00% 0	0.00% 0	0.00% 0	100.00% 2	0.00% 0	2	5.00

Q10 The Tariff Budget was clearly defined by PG&E, either on the PG&E's Partnership Pilot webpage or through other means.

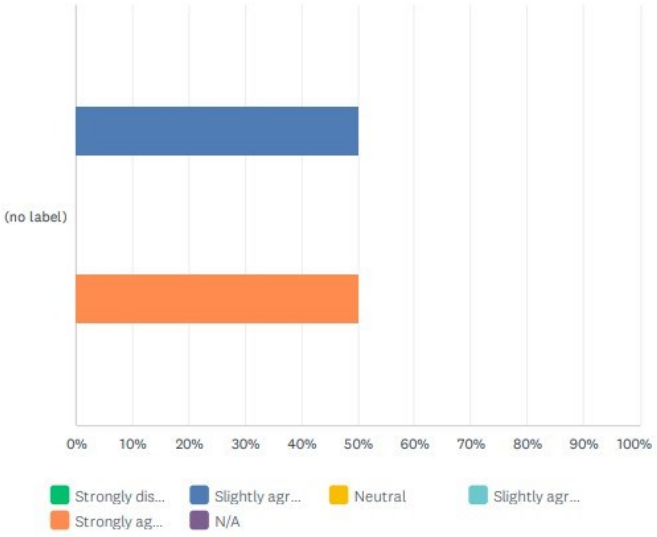
Answered: 2 Skipped: 0



	STRONGLY DISAGREE	SLIGHTLY DISAGREE	NEUTRAL	SLIGHTLY AGREE	STRONGLY AGREE	N/A	TOTAL	WEIGHTED AVERAGE
(no label)	0.00% 0	50.00% 1	0.00% 0	0.00% 0	50.00% 1	0.00% 0	2	3.50

Q11 The tiered payment structure was clearly defined by the PG&E, either on the PG&E's Partnership Pilot webpage or through other means.

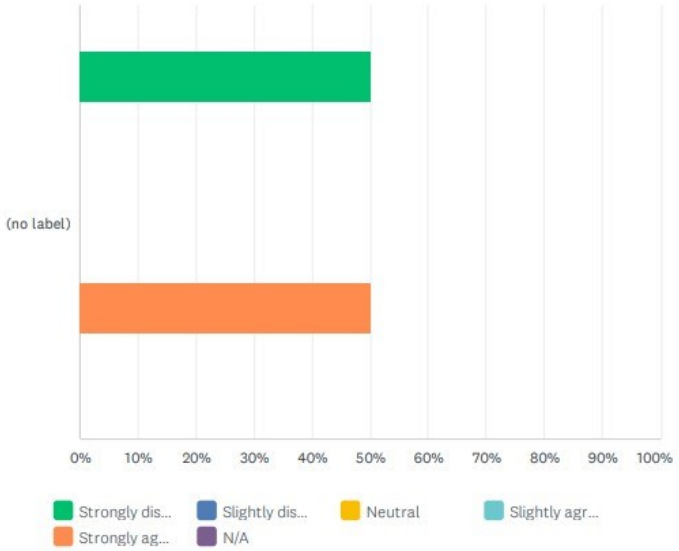
Answered: 2 Skipped: 0



	STRONGLY DISAGREE	SLIGHTLY AGREE	NEUTRAL	SLIGHTLY AGREE	STRONGLY AGREE	N/A	TOTAL	WEIGHTED AVERAGE
(no label)	0.00% 0	50.00% 1	0.00% 0	0.00% 0	50.00% 1	0.00% 0	2	3.50

Q12 The information on the Partnership Pilot webpage was complete and sufficient for your customers to understand their opportunity and role.

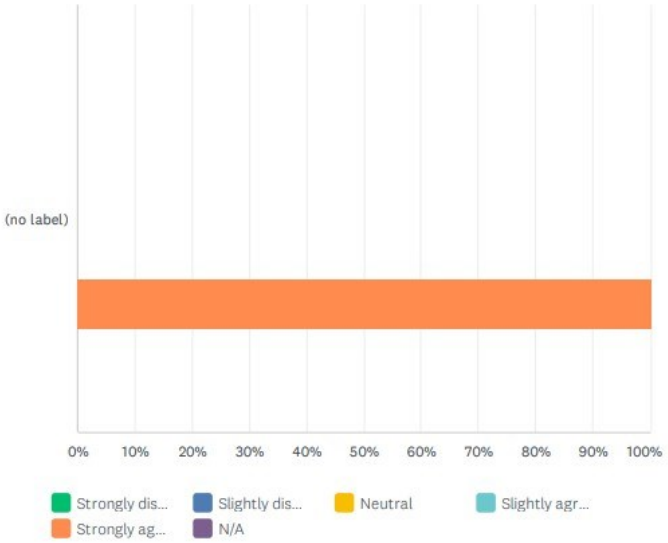
Answered: 2 Skipped: 0



	STRONGLY DISAGREE	SLIGHTLY DISAGREE	NEUTRAL	SLIGHTLY AGREE	STRONGLY AGREE	N/A	TOTAL	WEIGHTED AVERAGE
(no label)	50.00% 1	0.00% 0	0.00% 0	0.00% 0	50.00% 1	0.00% 0	2	3.00

Q13 The prescreening process was clear and efficient.

Answered: 2 Skipped: 0



	STRONGLY DISAGREE	SLIGHTLY DISAGREE	NEUTRAL	SLIGHTLY AGREE	STRONGLY AGREE	N/A	TOTAL	WEIGHTED AVERAGE
(no label)	0.00% 0	0.00% 0	0.00% 0	0.00% 0	100.00% 2	0.00% 0	2	5.00

Q14

Save as

For any question that you answered "strongly disagree" or "slightly disagree", do you have any suggestions for improvement?

Answered: 1 Skipped: 1

RESPONSES (1) WORD CLOUD TAGS (0) Sentiments: OFF

Search Responses Filter: by tag

Showing 1 response

Contract Execution: Creates low certainty and high risk for expending resources to engage with customers prior to a contract execution. Tariff Budget: PG&E should clearly define the resource price per unit (kW/kWh) from the budget and tier structure instead of expecting aggregators to determine from the budget. The Partnership Pilot webpage is vague to a customer and doesn't describe the locations, value, or options to participate. All it does is show the approved aggregators.

2/22/2023 05:49 PM View respondent's answers Add tags

Q15

Save as

What could PG&E, Energy Division, or the CPUC do to improve the aggregator experience?

Answered: 1 Skipped: 1

RESPONSES (1) WORD CLOUD TAGS (0) Sentiments: OFF

Search Responses Filter: by tag

Showing 1 response

The contract term should be for the full need over a 10 year term to create price/value certainty. Either prevent reductive revisions to the location need or fairly compensate aggregators for enrolling customers ahead of the contracting process ($/customer affidavit) to offset aggregator customer outreach efforts. Engaging with and securing customers is costly and Swell reluctant to engage with customers with no certainty of contracting.

2/22/2023 05:49 PM View respondent's answers Add tags

Q16

Save as

Any additional comments you'd like to provide?

Answered: 1 Skipped: 1

RESPONSES (1) WORD CLOUD TAGS (0) Sentiments: OFF

Search Responses Filter: by tag

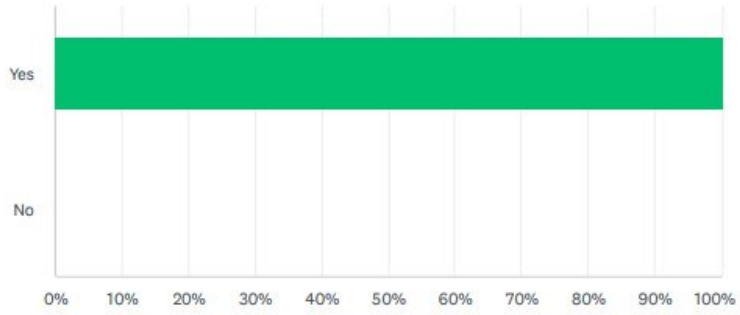
Showing 1 response

Alternatively, we propose marketing the program to specific subsets of customers (BTM residential vs BTM commercial), new installations vs existing resources to prevent multiple aggregators from engaging with the same customer groups.

2/22/2023 05:49 PM View respondent's answers Add tags

Q17 You'd like a follow up call to further discuss program experience and potential improvements.

Answered: 1 Skipped: 1



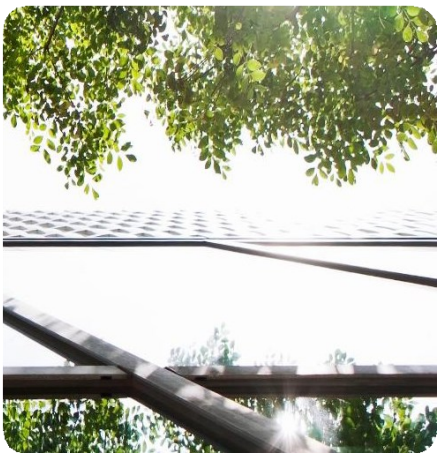
ANSWER CHOICES	RESPONSES	
Yes	100.00%	1
No	0.00%	0
TOTAL		1

A.6 Appendix: Data Points from PG&E

Data Requested	Values Provided
PowerAdvocate® Registrations	Total registrations for Cycle 1 Projects – 18 Total registration for Cycle 1 pre-screening – 23 Total registrations for Cycle 2 Projects – 11 Total registration for Cycle 2 pre-screening – 6
Number of Participants on Distribution List	There were 2,684 contacts on the Distribution List, of whom 2,654 of them were subscribers.
Number of Attendees on January 30 2023 Partnership Pilot Webinar	17 total attendees 7 attendees from PG&E 2 attendees from IE (PA Consulting, Inc.) 8 attendees from potential bidders
Number of Email Conversations between Bidders and PartnershipPilotDIDF@pge.com email address[8]	4 different bidders in 2022 7 different bidders in 2023
Cycle 1 Pre-Screening (July 2021)	16 Registrations, 1 Message
Cycle 1 Pre-Screening (Dec 2021)	7 Registrations, 0 Messages
Cycle 1 Registrations	Anita 1105 – 4 Rocklin 1105 – 5 Coalinga No. 1 Bank 2 – 1 Belle Haven Bank 4 – 2 Embarcadero 1118 – 2 Embarcadero 1116 – 2
Cycle 1 Messages	0 Messages
Cycle 2 Pre-Screening (July 2022)	5 Registrations, 1 Message
Cycle 2 Pre-Screening (Dec 2022)	1 Registration, 1 Message
Cycle 2 Registrations	Carlotta Bank 2 – 4 Gabilan Bank 2 – 3 Vassona 1109 – 4
Cycle 2 Messages	0 Messages
Cycle 2 Downloads of “January Protocol Document”	4 Total Downloads as of 3/15/2023
Belle Haven Bank 4 (2021-2022 PP Data)	Grid Need: [redacted] Reservations: 0 Status: Closed Launch Date: Jan 2022 Closing Date: May 2022
Coalinga No. 1 Bank 2 (2021-2022 PP Data)	Grid Need: [redacted] Reservations: 0 Status: Closed Launch Date: Jan 2022 Closing Date: Jun 2022
Rocklin 1105	Grid Need: [redacted] Reservations: 0 Status: Closed Launch Date: Jan 2022 Closing Date: Mar 2023
Anita 1105 (2021-2022 PP Data)	Grid Need: [redacted] Reservations: 0 Status: Closed Launch Date: Jan 2022 Closing Date: Mar 2023
Embarcadero 1118 (2021-2022 PP Data)	Grid Need: [redacted] Reservations: 0 Status: Open Launch Date: Jan 2022 Closing Date: Apr 2023
Embarcadero 1116 (2021-2022 PP Data)	Grid Need: [redacted]

[8] Excludes email threads related to the Webinar, and to signing Non-Disclosure Agreements

Data Requested	Values Provided
	Reservations: 0 Status: Open Launch Date: Jan 2022 Closing Date: Apr 2024



SDG&E Partnership Pilot Independent Evaluator Report

March 24, 2023

Bringing Ingenuity to Life.
paconsulting.com

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Prepared by: Barbara Sands and Lauren Rothermich

Version: Final 1.0

Contents

Figures

Tables

Executive summary

PA Consulting Group, Inc. (“PA”) served as the Independent Evaluator (“IE”) for the San Diego Gas & Electric’s (“SDG&E”) Partnership Pilot Cycle 1, as part of the Distributed Investment Deferral Framework (“DIDF”). This report provides PA's evaluation of SDG&E’s procurement process for the first cycle of the Partnership Pilot.

Partnership Pilot Overview

As part of the DIDF rulemaking, the California Public Utilities Commission (“CPUC”) established a 5-year Partnership Pilot, whereby behind-the-meter distributed energy resources (“DERs”) are enrolled by a DER aggregator to avoid or defer utility distribution investments to meet one or more electric grid needs.[1] The premise of the pilot is to delay (or avoid) grid upgrades by utilizing DERs to cost-effectively reduce metered demand or increase supply. Total budget for each cycle is equivalent to 85% of the one-year deferral cost of the grid upgrade.

The pilot follows the following basic process for each cycle:[2]

1. Aggregators are prescreened for viability (“application period”).
2. SDG&E identifies one or multiple candidate deferral opportunities (“CDOs”) subject to deferral through subscriptions submitted to SDG&E by Aggregators.
3. SDG&E invites aggregators to submit reservations to address the CDO grid need (“subscription period”).
4. Aggregators submit reservations of capacity and provide signed customer affidavits of interest to SDG&E. Affidavits describe the amount of distribution deferral capacity the aggregator is providing.
5. Once aggregators, collectively, have provided affidavits for 90% of the identified grid need, SDG&E will enter into contracts with those aggregators.
6. Once SDG&E receives reservations and affidavits from aggregators for 120% of the grid need, the subscription period is closed.

Contracted aggregators are then paid after three milestones. Aggregators receive 20% of the total budget for deployment (making reservations, in aggregate across all Aggregators submitting subscriptions, for at least 90% of grid need and upon demonstration that the Aggregator’s customers’ DER capacity is operational), 30% of total budget for reservation (having 100% reserved capacity available during time of need) and 50% of budget for performance (being able to utilize demand-reduction technology during time of need, i.e., paid for actual dispatch).

Cycle 1 Solicitation

The first cycle of SDG&E’s Partnership Pilot (“Cycle 1”) took place from July 2021 to March 2022. SDG&E published their Distribution Deferral Opportunities Report (“DDOR”) in August of 2021, which assessed years 2021-2025. The report identified two Tier 1 CDOs and ultimately one CDO was chosen for the Partnership Pilot. The planned upgrade was for a potential thermal overload of 0.05 MW during June 1, 2025 through October 1, 2025, hours ending 18 through 20. The upgrade also provided back-tie capacity for June 1, 2025 through May 31, 2026 for all hours.[3]

For the initially-identified distribution need, SDG&E offered a single one-year tranche of procurement with the ability to renew the procurement in subsequent cycles of the Partnership Pilot (i.e., SDG&E offered to procure distribution deferral services that would defer the need to construct the CDO for one year, and provide Aggregators with the right to extend the procurement contract through subsequent cycles of the Partnership Pilot assuming no change in the need for the CDO).

---

[1] Decision D 21-02-006

[2] Information can also be found on SDG&E’s website: 012023_Partnership Pilot_Overview.pdf (sdge.com)

[3] CDO description from SDG&E’s Annual Partnership Pilot Evaluation Report for July 15, 2021 through December 31, 2022

SDG&E created a public website to invite aggregators to participate in Cycle 1 of the Partnership Pilot. Applications were open from July 15, 2021 to August 14, 2021. Twelve aggregators submitted applications. As a result, SDG&E launched a subscription period for the CDO on January 15, 2022. SDG&E received a subscription for 0.06 MW (120% of the need) from one aggregator on February 24, 2022. However, based on updated forecast information, SDG&E determined that the grid need was unlikely to materialize during the 2021-2025 planning horizon. As a result, in March of 2022, SDG&E closed the subscription period for Cycle 1 and notified the aggregator that the need no longer existed.[4]

High level summary of findings

Based on feedback from the Aggregator Survey we conducted and our overall review of Cycle 1, we have identified specific recommendations. Other comments provided by the aggregators highlight some challenges or concerns, but we were not able to formulate specific recommendations and we are providing that information as takeaways.

In reviewing these findings, it is important to note that PA received only a few completed surveys so it is not clear if the feedback received is a reasonable representation of the broader group of aggregators; however, we were able to identify some areas to be further considered.

Recommendations:

- **Customer Website**
  - More clearly label that the link to the Aggregator website (that is provided on the Customer-facing webpage) that provides more details on pending projects, opportunities, Partnership Pilot overview and additional documentation. Alternatively, add that additional information directly to the Customer-facing webpage.
  - Add a map with the location of the CDOs to help customers better understand the location of the CDO.
- **Aggregator Website**
  - Add Deployment, Reservation, and Performance pricing information on the Aggregator website for the CDO's (in $/KW or $/KWh, as appropriate).
- **Ratable Procurement**
  - Consider allowing aggregators to initially subscribe to the entire grid need for multiple years, as the aggregators would prefer longer contract times and/or larger projects**.** Additionally, aggregators commented that only one year of subscription creates uncertainty and may not lead to viable business cases.
- **Aggregator Feedback**
  - Consider requiring that aggregators provide feedback as a condition of being an approved aggregator.

Takeaways:

- **Prescreening Process**
  - All respondents strongly agreed that the prescreening process was clear and efficient. One respondent said the prescreening process was the most straightforward one they'd seen compared to other programs.
- **Procurement Margin**
  - Respondents "strongly agree" that 120% was an appropriate procurement margin. This margin was achieved in Cycle 1, but the process did not move forward because SDG&E determined there was no longer a grid need.

[4] All info from SDG&E's Annual Partnership Pilot Evaluation Report for July 15, 2021 through December 31, 2022.

- **Contract Timing**
  - The length of time between the subscription period and the Initial Delivery Date may make it difficult for aggregators to obtain customers. While efficiencies were incorporated into the Partnership Pilot to decrease current barriers to the deployment of distributed energy resources, this timing issue is an inherent challenge of this program.
- **Project Certainty**
  - The cancellation of Cycle 1 after an aggregator identified customers but before the contracts were entered into highlights the challenges of the uncertainty of grid needs in a cycle. While the Partnership Pilot does provide a tiered payment structure once contracts are entered into, there is no financial protection for the aggregators and their customers for the time and effort getting customer during the subscription process before the contracts are executed. There is a need to protect ratepayers against over procurement. However, the aggregators need some certainty in the need and opportunity to invest the time and energy to conduct customer outreach. There is also some reputational risk the aggregators bear with customers and partners if the project is cancelled before contracts are signed with SDG&E, which may make aggregators hesitate to participate in the pilot program.
  - Aggregators would like to enter into contracts prior to signing up customers to protect them if the need goes away. Ideally the contract would have some sort of guarantee that if the need goes away, the aggregator gets some payment for their efforts of contacting and signing up customers and installers. Aggregators state it also makes it easier to sign up customers when there is some certainty of payment.
- **Project Economics**
  - The aggregators identified other areas that can affect project economics, but it is not clear how SDG&E or the Energy Division could or should implement any changes to address these items including:
    - reducing or eliminating the Project Development Security and the Project Deployment Security requirements. They indicated that providing $200,000 for the 0.05 MW capacity need several years before the Initial Delivery Date in Cycle 1 makes it difficult to make the economics work (i.e., the security deposit ties up a significant amount of cash for several years without any certainty of return on investment for the aggregator. This can be difficult financially for aggregators to bear),
    - increase the scale of projects,
    - increase the incentive payments,
    - provide longer-term contracts rather than one-year contracts that require an annual contract renewal, and
    - consider providing an incentive for utilities (e.g., a shared economic incentive between utilities and the third-party aggregators).

1 The IE's Role

This section provides a description of the role of the IE including PA's specific activities for the first cycle of the SDG&E Partnership Pilot.

1.1 IE's key roles and responsibilities

The CPUC requires an IE for Investor Owned Utilities' ("IOUs'") long-term resource procurement Request for Offers ("RFOs").[5] The role of the IE is to provide advice to the utility on the design, administration, and evaluation aspects of the RFO. The CPUC clarified that the role of the IE is not to conduct or administer the solicitation, but to "separately evaluate and report on the IOU's entire solicitation, evaluation, and selection process."[6]

Additionally, the IE is to ensure that SDG&E treats all offers fairly and equitably and that no technology or counterparty is favored. The IE is also expected to ensure that affiliate offers are not favored. The IE also ensures that the bid selection process is transparent and is aligned with the procurement requirements. SDG&E can also call on the IE's advice as to various evaluation issues that may arise during the RFO process.

The CPUC Energy Division ("Energy Division") is tasked with annual reforms, midstream reviews and final evaluations of the DIDF process. As part of their oversight, the Energy Division requested input on evaluation criteria of the DIDF programs, which led to the IOUs filing a joint advice letter on evaluation criteria. In January of 2022, the CPUC ordered approval of the Partnership Pilot evaluation criteria, as well as requiring an IE annual Partnership Pilot evaluation report.[7]

1.2 PA's role as IE

PA performed the role of IE for Cycle 1 of SDG&E's Partnership Pilot solicitation. SDG&E requested PA's assistance as IE for Cycle 1 of the Partnership Pilot in early January 2022. The offer window had closed by that time. PA's role was to look at both the Success Criteria and Performance Measures of the Evaluation Criteria. This included designing and implementing a survey for participating aggregators to obtain program feedback. PA's evaluation of Cycle 1 of the Partnership Pilot is the focus of this report.

[5] California Public Utilities Commission, Decision (D.) 04-12-048, Dec. 16, 2004, and Decision (D.) 06-05-039, May 26, 2006.
[6] D. 06-05-039, p. 46.
[7] Resolution E-5190

2 Survey Overview

PA was tasked with developing and conducting a survey regarding SDG&E's Partnership Pilot Cycle 1.

2.1 Survey need

A survey to participating aggregators in SDG&E's Partnership Pilot Cycle 1 was required as part of the Evaluation Criteria established in Appendix A of Resolution E-5190. The Resolution also stated that the IE or a third-party would conduct the survey.[8]

2.2 Survey drafting and distribution

PA drafted the survey questions, with a focus on understanding:

- The aggregator customer outreach process and results,
- The Partnership Pilot solicitation process,
- The aggregator experience, and
- How SDG&E and the CPUC could further enhance participation in future Partnership Pilot Cycles.

PA provided SDG&E and the Energy Division an opportunity to provide comments and feedback on the draft survey. PA implemented SDG&E and Energy Division comments and finalized the survey questions and format. PA utilized a mixture of question formats, including open response, checkbox, multiple choice and rating scale. The survey was designed to be relatively quick to answer while providing comprehensive feedback. A copy of the survey can be found in the Appendix.

PA uploaded the survey into SurveyMonkey, a commonly used survey distribution platform. SDG&E emailed the aggregators with a pre-determined introduction paragraph and survey link. PA contacted the aggregators via phone before the survey was released to provide information on the survey, for them to expect an email from SDG&E with the survey, and that survey results would be kept confidential. The survey was distributed to the 14 SDG&E-registered aggregators using the email addresses provided upon registration (and verified via phone where possible).

SDG&E initially distributed the survey on February 14, 2023 and set a survey response deadline of February 24, 2023. From this initial distribution of the survey, PA received 2 responses to the survey. In an attempt to increase survey participation, PA redistributed the survey and extended the response deadline to March 3, 2023. PA received one additional response to the survey.

2.3 Survey responses and results

PA received three responses to the survey. Respondents answered all relevant questions. Two of the respondents were registered for Cycle 1. One respondent was not registered for Cycle 1 but provided feedback on elements of the pilot. Two respondents provided suggestions for improvements and requested additional follow-up and PA conducted follow-up calls to further discuss their feedback and questions. Below is a high-level summary of survey questions and results. Specific feedback and additional comments are incorporated in Section 3.1.

[8] Resolution E-5190, p. 9

Table 1: Survey Results Summary

Question	Responses
Q1. What customer outreach actions did you take for the PP Cycle 1 / 2021-2022 PP?	Marketed Partnership Pilot on aggregator website, solicited interest from specific customers based on CDO
Q2. If no outreach actions were taken, what prevented you from performing outreach?	Was not registered for Cycle 1
Q3. How did your customers respond to the PP Cycle 1 / 2021-2022 PP?	Not able to identify customers - found customers to meet 120% of need
Q4. If you were not able to identify customers for this opportunity, why not?	No economic projects identified
Q5. If you did have customers for PP Cycle 1 / 2021-2022 PP, was there customer attrition? If so, why?	No
Q6. The reservation process was clear and easy to use.	Neutral to strongly agree
Q7. The timing of the subscription period was clearly identified, either on the IOU's Partnership Pilot webpage or through other means.	Slightly agree to strongly agree
Q8. The timing of contract execution (i.e., contracts are not executed until 90% of the initially-identified distribution need is met with validated Aggregator reservations) did not impact your ability to sign up customers.	Slightly disagree to strongly agree
Q9. 120% is an appropriate procurement margin (i.e., validated Aggregator reservations totaling 120% of the initially-identified distribution need).	Strongly agree
Q10. The Tariff Budget was clearly defined by the SDG&E, either on the SDG&E's Partnership Pilot webpage or through other means.	Strongly agree
Q11. The tiered payment structure was clearly defined by the SDG&E, either on the SDG&E's Partnership Pilot webpage or through other means.	Slightly disagree to strongly agree
Q12. For the initially-identified distribution need, SDG&E offered a single one-year tranche of procurement with the ability to renew the procurement in subsequent cycles of the Partnership Pilot (i.e., SDG&E offered to procure distribution deferral services that would defer the need to construct the CDO for one year, and provide Aggregators with the right to extend the procurement contract through subsequent cycles of the Partnership Pilot assuming no change in the need for the CDO). I was not restricted by procuring Distributed Energy Resources (DER) for a single one-year procurement tranche with the right of subsequent contract renewal, as opposed to procuring for the whole grid need for a longer period of time, such as through the ten-year period that the Commission requires be identified for CDOs (2030).	Strongly disagree to slightly disagree
Q13. The information on the Partnership Pilot webpage was complete and sufficient for your customers to understand their opportunity and role.	Strongly disagree to strongly agree
Q14. The prescreening process was clear and efficient.	Strongly agree
Q15. For any question that you answered "strongly disagree" or "slightly disagree", do you have any suggestions for improvement?	Two respondents provided more information (details in section 3)
Q16. What could SDG&E, Energy Division, or the CPUC do to improve the aggregator experience?	Two respondents provided more information (details in section 3)
Q17. Any additional comments you'd like to provide?	Two respondents provided more information (details in section 3)
Q18. You'd like a follow up call to further discuss program experience and potential improvements.	Two respondents selected yes

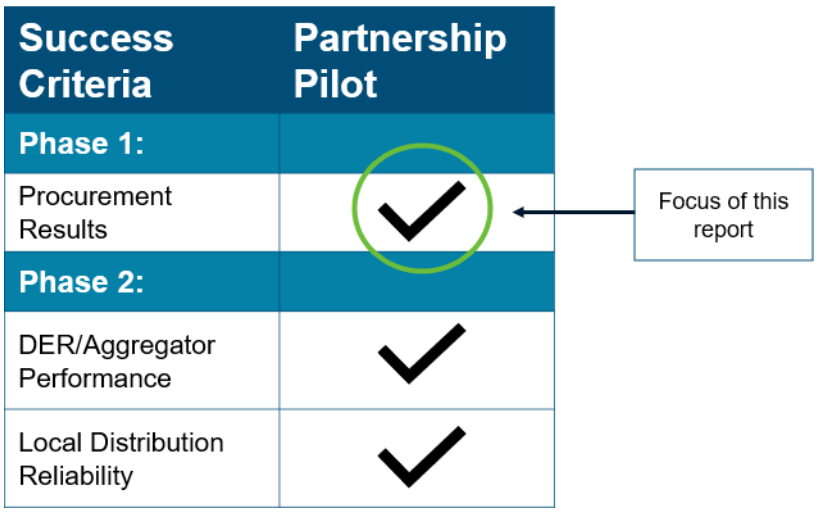
3 Evaluation Criteria

Attachment A of the Partnership Pilot Evaluation Criteria outlines how the Partnership Pilot is to be evaluated on an annual basis. According to the document, "The primary objectives the Evaluation Criteria will analyze and answer are: (1) whether the pilots resulted in procuring distributed energy resources (DERs) cost-effectively, (2) whether the DERs deferred the distribution investment by meeting the grid need, and (3) whether service was reliably maintained with the DER solution implemented."[9]

The Evaluation Criteria framework is made up of two distinct components: the **Success Criteria** and the **Performance Measures**. Success Criteria is meant to inform the CPUC's decision of whether the Partnership Pilot is a success, should be modified, or should be off-ramped. Performance Measures are qualitative and quantitative measurements of aspects within the pilot and will be used to determine if specific aspects of the pilot should be modified. This report discusses both Success Criteria and Performance Measures.

The Evaluation Criteria assessment also occurs in multiple phases as the pilot continues. **Phase 1- Procurement** "occurs as soon as the first round of procurement has closed by either reaching the 90% procurement margin (i.e. when the contracts have been executed) or the IOU has terminated procurement". Specifically, "this phase measures whether sufficient DERs were effectively procured to meet the need."[10] **Phase 2** "occurs after contract execution to measure whether aggregators dispatch the DER to meet grid needs and reliability." Phase 1 for Success Criteria is the focus of this report since ultimately no contracts were signed. Figure 1 below shows a representation of the different Success Criteria phases.

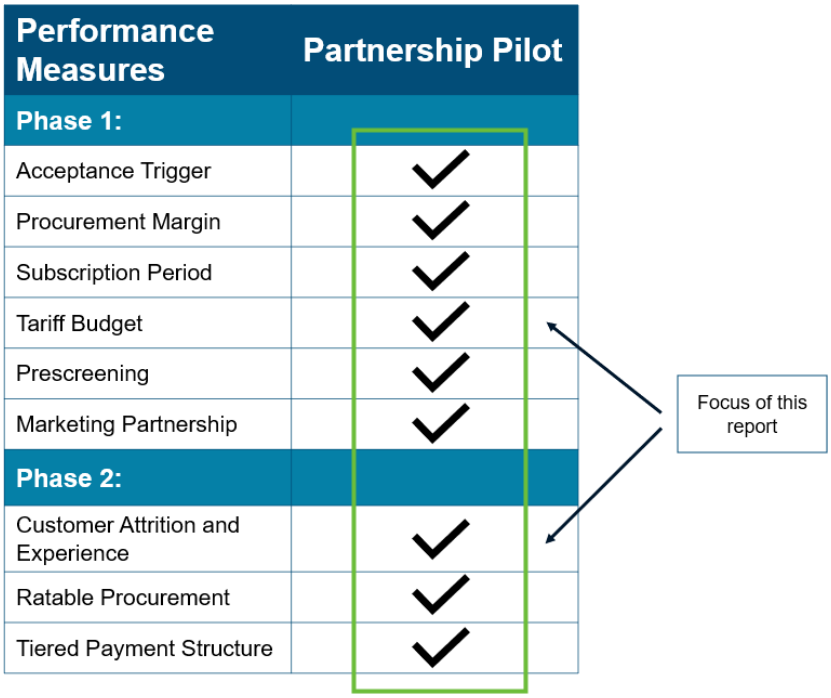
Figure 1: Success Criteria[11]



The review of Performance Measures also follows the same phased approach. However, even though no contracts were signed, PA did survey aggregators on certain Phase 2 topics. Figure 2 below shows what Performance Measures were evaluated as part of the survey.

[9] Resolution E-5190, Attachment A
[10] Id.
[11] Figure adapted from Resolution E-5190 Attachment A

Figure 2: Performance Measures[12]



The Success Criteria and Performance Measures portions of the Evaluation Criteria framework listed specific questions to be analyzed as part of the evaluation. These questions (see Figure 2 in Appendix A of Resolution E-5190) were incorporated in the survey. Below is PA's evaluation results, based on survey responses and SDG&E's Annual Partnership Pilot report.

3.1 Evaluation Results

This section is separated into the topics that were laid out in the Performance Measures (Figure 2 above). PA asked survey questions around each topic and included some of the specific questions from the Performance Measures table in the Evaluation Criteria framework. For certain questions, the survey directed respondents to indicate their reactions to certain statements. Reaction choices were strongly agree, slightly agree, neutral, slightly disagree, strongly disagree or N/A. Respondents were also given the opportunity to expand on any of their answers if desired.

Acceptance trigger

The acceptance trigger questions were aimed at understanding whether 90% of the grid need is an appropriate trigger level for the IOU to enter into contracts with the aggregators. It also sought to understand how long it took to achieve the different procurement margin levels (90%, 100% and 120%).

In terms of whether 90% is an appropriate trigger, there was mixed response as one respondent chose "strongly agree" and one respondent chose "slightly disagree".

It took 40 days from the start of the subscription period to when SDG&E received reservations for 120% of the need.

Procurement margin

This topic is aimed at understanding whether 120% of the need is an appropriate margin and whether this margin was achieved in Cycle 1. Respondents "strongly agree" that 120% was an appropriate procurement margin. This margin was achieved in Cycle 1, but the process did not move forward because SDG&E determined there was no longer a grid need.

[12] Id.

Customer attrition and experience

The customer attrition topic sought to determine if customer attrition occurred and if so, for what reasons. No customer attrition was identified. However, since SDG&E cancelled the Cycle 1 procurement based on lack of need, there was not much time in between aggregator reservation submittal and termination of Cycle 1 in which to observe customer attrition. Therefore, customer attrition rate was 0% for this cycle.

Survey results indicated that the termination of Cycle 1 did not lead to a good customer experience. The respondent stated that neither they nor their customers were aware that the grid needs could change during the Cycle 1 process which led to confusion when the procurement was cancelled. Respondents indicated that some amount of certainty would be crucial to obtaining new customers. As one explained, signing up customers for a program that has little to no certainty leads to confusion and an unclear value proposition. Another respondent said that only one year of subscription is not a reasonable business case for potential customers that are looking to invest in DER technology.

Subscription period

The subscription period topic aimed at better understanding how the subscription period went in terms of enrolling customers. Since Cycle 1 was cut short, there was not much information on this topic and an evaluation would be better served when the subscription period is allowed to run its full course.

One respondent did state that when the timing of the contract execution is so far out from the subscription period (in the case of Cycle 1, over 3 years), it makes it difficult to obtain and enroll customers.

Ratable procurement

Ratable procurement refers to procuring capacity incrementally to meet the grid need, instead of procuring for the entire need at one time. Questions here sought to understand whether aggregators thought this method was effective and whether it restricted their participation in any way.

Respondents chose either “strongly disagree” or “slightly disagree” that the ratable procurement did not restrict their participation. One participant would have liked to see the scale of the project increased to help the economics.

Tariff budget/Tiered payment structure

Since no contracts were executed in Cycle 1, PA asked questions in the survey aimed at gathering aggregators’ opinions on the tiered payment structure and whether the 85% tariff budget was acceptable. There was a little mixed response as some respondents answered that the tariff budget was clearly defined but one respondent slightly disagreed that the tiered payment structure was clearly defined.

One respondent stated that it was challenging for them to determine the dollar amount allocated to each tier and therefore the unit pricing for each tier. The respondent would like to see the dollar amount defined for each tier. One respondent also remarked that they would like to see the total tariff budget higher.

Marketing partnership

This topic focused on what the aggregator experience was for Cycle 1 and how it could be improved. PA also asked aggregators about customer outreach actions they took. Responding aggregators indicated they marketed the Partnership Pilot on their website and solicited interest from specific customers based on the CDO identified.

In terms of the customer information section of SDG&E’s Partnership Pilot website, there was a mixed response ranging from the website being complete and sufficient for customers to understand the opportunity to the website not providing enough helpful information or fully convey the opportunity. Aggregators responded that the website had sufficient information for aggregators, although clearly stating the tariff budget and expected hours of need would add helpful information.

PA also asked SDG&E for website traffic statistics. Between January of 2021 and February of 2023, SDG&E’s Partnership Pilot Customer page had 1803 clicks. For SDG&E’s Aggregator webpage, there

were 344 clicks between April of 2022 and February of 2023. For both pages, the month with the highest number of views was August 2022.

Prescreening

This topic is meant to assess the prescreening process and any improvements that could be made. All respondents strongly agreed that the prescreening process was clear and efficient. One respondent said the prescreening process was the most straightforward one they'd seen compared to other programs.

Other

As part of the survey, PA asked if there were any general comments or suggestions that aggregators had as part of Cycle 1. Participants offered some miscellaneous program feedback. One piece of feedback indicated that it was difficult to make the project economics work with the risk of the one-year contract not being renewed, as well as the large Project Development Security and Project Deployment Security deposit requirements. Another piece of feedback indicated that one participant was reluctant to participate in future Partnership Pilot programs given the uncertainty around grid needs changing and the difficulty obtaining customers under such uncertainty. One suggestion offered was that aggregators would prefer entering into a contact with the utility before contacting customers, which would offer some sort of guarantee even if the need disappeared. In general, one respondent indicated that the information surrounding the process was very clear and the process framework seemed to work well.

4 Recommendations/Takeaways

Based on the survey feedback, PA has identified the following recommendations and takeaways. Where possible, we have identified specific recommendations based on the feedback and our overall review of Cycle 1. Other comments provided by the aggregators highlight some challenges or concerns, but we were not able to formulate specific recommendations and we are providing that information as takeaways.

In reviewing these findings, it is important to note that PA received only a few completed surveys so it is not clear if the feedback received is a reasonable representation of the broader group of aggregators; however, we were able to identify some areas to be further considered.

Recommendations:

- **Customer Website**
  - More clearly label that the link to the Aggregator website (that is provided on the Customer-facing webpage) that provides more details on pending projects, opportunities, Partnership Pilot overview and additional documentation. Alternatively, add that additional information directly to the Customer-facing webpage.
  - Add a map with the location of the CDOs to help customers better understand the location of the CDO.
- **Aggregator Website**
  - Add Deployment, Reservation, and Performance pricing information on the Aggregator website for the CDO's (in $/KW or $/KWh, as appropriate).
- **Ratable Procurement**
  - Consider allowing aggregators to initially subscribe to the entire grid need for multiple years as the aggregators would prefer longer contract times and/or larger projects**.** Additionally, aggregators commented that only one year of subscription creates uncertainty and may not lead to viable business cases.
- **Aggregator Feedback**
  - Consider requiring that aggregators provide feedback as a condition of being an approved aggregator.

Takeaways:

- **Prescreening Process**
  - All respondents strongly agreed that the prescreening process was clear and efficient. One respondent said the prescreening process was the most straightforward one they'd seen compared to other programs.
- **Procurement Margin**
  - Respondents "strongly agree" that 120% was an appropriate procurement margin. This margin was achieved in Cycle 1, but the process did not move forward because SDG&E determined there was no longer a grid need.
- **Contract Timing**
  - The length of time between the subscription period and the Initial Delivery Date may make it difficult for aggregators to obtain customers. While efficiencies were incorporated into the Partnership Pilot to decrease current barriers to the deployment of distributed energy resources, this timing issue is an inherent challenge of this program.
- **Project Certainty**
  - The cancellation of Cycle 1 after an aggregator identified customers but before the contracts were entered into highlights the challenges of the uncertainty of grid needs in a cycle. While the Partnership Pilot does provide a tiered payment structure once contracts are entered into there is no financial protection for the aggregators and their customers for the time and effort getting customer during the subscription process before the contracts are executed. There is a need to

protect ratepayers against over procurement. However, the aggregators need some certainty in the need and opportunity to invest the time and energy to conduct customer outreach. There is also some reputational risk the aggregators bear with customers and partners if the project is cancelled before contracts are signed with SDG&E, which may make aggregators hesitate to participate in the pilot program.
Aggregators would like to enter into contracts prior to signing up customers to protect them if the need goes away. Ideally the contract would have some sort of guarantee that if the need goes away, the aggregator gets some payment for their efforts of contacting and signing up customers and installers. . Aggregators state it also makes it easier to sign up customers when there is some certainty of payment.

- **Project Economics**
  - The aggregators identified other areas that can affect project economics, but it is not clear how SDG&E or the Energy Division could or should implement any changes to address these items including:
    - reducing or eliminating the Project Development Security and the Project Deployment Security requirements. They indicated that providing $200,000 for the 0.05 MW capacity need several years before the Initial Delivery Date in Cycle 1 makes it difficult to make the economics work (i.e., the security deposit ties up a significant amount of cash for several years without any certainty of return on investment for the aggregator. This can be difficult financially for aggregators to bear),
    - increase the scale of projects,
    - increase the incentive payments,
    - provide longer-term contracts rather than one-year contracts that require an annual contract renewal, and
    - consider providing an incentive for utilities (e.g., a shared economic incentive between utilities and the third-party aggregators).

Appendix- Survey Questions

Thank you for participating in the Partnership Pilot survey. SDG&E in coordination with the CPUC Energy Division has requested SDG&E's Independent Evaluator (IE) to conduct a survey and we'd love to hear about your experience.

SDG&E's Partnership Pilot Cycle 1 (PP Cycle 1 / 2027-2022 PP) reservation period opened January 15th, 2022. Cycle 1 initially included one Candidate Deferral Opportunity (COO) -- an upgrade to Circuit 832 connecting to North City West substation. This upgrade was identified in SDG&E's August 15, 2021 Distribution Deferral Opportunities Report (DOOR). However, based on updated forecast information, SDG&E determined in March 2022 that the need for the planned distribution upgrade during the 2021-2025 planning horizon no longer existed. Accordingly, SDG&E closed the subscription period for the first cycle of the Partnership Pilot in March 2022.

If you did not participate in Cycle 1 (i.e., were not registered at the time or for other reasons) we would still like to get your input on the various topics so please continue with the survey.

Thank you for responding to the questions below. The identity of individual respondents will be maintained confidential and not shared with any party outside of PA Consulting unless the respondent otherwise agrees to such sharing.

1. What customer outreach actions did you take for the PP Cycle 1 / 2027-2022 PP? (Please select all that apply)

- D You marketed the Partnership Pilot program on your website.
- D Customers contacted you directly to find out more about the program.
- D You solicited interest from all customers to participate in the Partnership Pilot.
- D You solicited interest from specific customers based on the Candidate Deferral Opportunity/Deferral Opportunity (COO/ DO) identified by the utility.
- D No outreach actions were taken.

2. If no outreach actions were taken, what prevented you from performing outreach? (Please select all that apply)

- D You were not registered for the first cycle
- D You are a Community Choice Aggregator

Other (please specify)

3. How did your customers respond to the PP Cycle I / 2021-2022 PP?

D You had some customer interest but not enough to move forward to enroll

D You enrolled customers to meet less than 90% of the need

D You enrolled customers to meet 90%-100% of the need

D You enrolled customers to meet 100%-120% of the need

D You enrolled customers to meet the full 120% of the need

D You were not able to identify customers for this opportunity

4. If you were not able to identify customers for this opportunity, why not? (Please select all that apply)

D Not enough customers are located near the opportunity.

D You did not receive enough information on the opportunity.

D The technology you provide would not work for this opportunity.

D No economic projects identified.

D Program too complicated.

D Not sure how to market program.

D Not sure how to meet defined need.

D There was not enough time to evaluate and market the opportunity

Other (please provide additional information and suggestions)

5. If you did have customers for PP Cycle 1 / 2021-2022 PP, was there customer attrition? If so, why?

0 Yes- don't know

Q No

0 Yes- reasons being:

For questions 6-14 below, please choose from one of the following options: strongly disagree, slightly disagree, neutral, slightly agree, strongly agree or N/A, does not apply.

6. The reservation process was clear and easy to use.

Strongly disagree	Slightly disagree	Neutral	Slightly agree	Strongly agree	N/A
0	0	0	0	0	0

7. The timing of the subscription period was clearly identified, either on the IOU's Partnership Pilot webpage or through other means.

Strongly disagree	Slightly disagree	Neutral	Slightly agree	Strongly agree	N/A
0	0	0	0	0	0

8. The timing of contract execution (i.e., contracts are not executed until 90% of the initially-identified distribution need is met with validated Aggregator reservations) did not impact your ability to sign up customers.

Strongly disagree	Slightly disagree	Neutral	Slightly agree	Strongly agree	N/A
0	0	0	0	0	0

9. 120% is an appropriate procurement margin (i.e., validated Aggregator reservations totaling 120% of the initially-identified distribution need).

Strongly agree	Slightly agree	Neutral	Slightly agree	Strongly agree	N/A
0	0	0	0	0	0

10. The Tariff Budget was clearly defined by the SDG&E, either on the SDG&E's Partnership Pilot webpage or through other means.

Strongly disagree	Slightly disagree	Neutral	Slightly agree	Strongly agree	N/A
0	0	0	0	0	0

11.The tiered payment structure was clearly defined by the SDG&E, either on the SDG&E's Partnership Pilot webpage or through other means.

Strongly disagree	Slightly agree	Neutral	Slightly agree	Strongly agree	N/A
0	0	0	0	0	0

12. For the initially-identified distribution need, SDG&E offered a single one-year tranche of procurement with the ability to renew the procurement in subsequent cycles of the Partnership Pilot (i.e., SDG&E offered to procure distribution deferral services that would defer the need to construct the CDO for one year, and provide Aggregators with the right to extend the procurement contract through subsequent cycles of the Partnership Pilot assuming no change in the need for the CDO).

I was not restricted by procuring Distributed Energy Resources (DER) for a single one-year procurement tranche with the right of subsequent contract renewal, as opposed to procuring for the whole grid need for a longer period of time, such as through the ten-year period that the Commission requires be identified for CDOs (2030).

Strongly disagree	Slightly disagree	Neutral	Slightly agree	Strongly agree	N/A
0	0	0	0	0	0

13. The information on the Partnership Pilot webpage was complete and sufficient for your customers to understand their opportunity and role.

Strongly disagree	Slightly disagree	Neutral	Slightly agree	Strongly agree	N/A
0	0	0	0	0	0

14. The prescreening process was clear and efficient.

Strongly disagree	Slightly disagree	Neutral	Slightly agree	Strongly agree	N/A
0	0	0	0	0	0

15. For any question that you answered "strongly disagree" or "slightly disagree", do you have any suggestions for improvement?

76. What could SDG&E, Energy Division, or the CPUC do to improve the aggregator experience?

17. Any additional comments you'd like to provide?

18. You'd like a follow up call to further discuss program experience and potential improvements.

0 Yes

Q No

* 79. Please provide your company name. (Note: the identity of individual respondents will be maintained confidential and not shared with any party outside of PA Consulting unless the respondent otherwise agrees to such sharing.)

* 20. Please provide your email.

This survey is being hosted by PA Consulting on behalf of SDG&E.

About PA.

We believe in the power of ingenuity to build a positive human future.

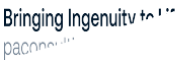
As strategies, technologies, and innovation collide, we create opportunity from complexity.

Our diverse teams of experts combine innovative thinking and breakthrough technologies to progress further, faster. Our clients adapt and transform, and together we achieve enduring results.

We are over 4,000 strategists, innovators, designers, consultants, digital experts, scientists, engineers, and technologists. And we have deep expertise in consumer and manufacturing, defence and security, energy and utilities, financial services, government and public services, health and life sciences, and transport.

Our teams operate globally from offices across the UK, Ireland, US, Nordics, and Netherlands.

PA. Bringing Ingenuity to Life.



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End of Attachment B