Attachment A
Partnership Pilot and Standard Offer Contract Evaluation Criteria Structure and Content

The following description of the evaluation criteria structure and content is based on Joint Advice Letter SDG&E 3780-E, PG&E 6218-E, and SCE 4514-E filed on June 3, 2021, as approved and modified by Resolution E-5190.

I. OVERVIEW OF PARTNERSHIP PILOT AND SOC PILOT EVALUATION CRITERIA

The process and framework through which the Partnership Pilot and Standard Offer Contract (SOC) Pilot will be evaluated is referred to herein as **Evaluation Criteria**. 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.

There are two distinct components to the Evaluation Criteria: 1) **Success Criteria** and 2) **Performance Measures**. *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,[1] 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.

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.

The Evaluation Criteria will be implemented in two steps, directly tied to the **Success Criteria** and **Performance Measures**. First, the **Performance Measures** will be tracked during each pilot cycle and assessed after the cycle is complete,

[1] 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.

and its output will be recommendations for Pilot Improvements before the start of the next pilot cycle for consideration by Energy Division and the CPUC. The second step will occur after two SOC Pilot cycles and three Partnership Pilot cycles just prior to the **mid-stream pilot review,** with an assessment of the **Success Criteria** 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. 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.

a. Phased Approach

The Evaluation Criteria assessment activities occur in two phases based on the sequential process of the pilots: **Phase 1 - Procurement** and **Phase 2 - Performance and Reliability**.

The first phase, "Procurement," occurs as soon as the first round of procurement has closed either by reaching the 90% procurement margin, i.e., when the contracts have been executed or the investor-owned utility (IOU) has terminated procurement and begun deployment of the contingency solution for each project. This phase measures whether sufficient DERs were effectively procured to meet the need.

The second phase, "Performance and Reliability," occurs after contract execution to measure whether aggregators dispatch the DER to meet the grid needs and system reliability. This phase measures whether the DER performed according to its contractual obligations and whether the grid was reliably maintained without service interruption due to the DERs. To address Public Advocates Office's and other parties' request for flexibility with regards to performance and off-ramping due to performance, it is noted that for any given project being assessed in Phase 2, the third-party aggregators will have ample time and opportunity to prepare, test and re-test (if they fail) prior to the start of the events/calls to dispatch to meet the need as there is likely to be several months to a year or more between contract execution and the need materializing.

An Independent Evaluator (IE) will be used to review data and provide recommendations related to the Evaluation Criteria. In January of each year, IOUs will provide the previous year's available pilot data to the IE and Energy Division.

No later than 30 days after providing pilot data to the IE in January of each year, the IOUs will submit an **"Annual Partnership Pilot Evaluation Report"** to the Energy Division, an IE, and the Service List for R.21-06-017 or its successor providing data, analysis, and recommendations regarding each element of the Evaluation Criteria. Depending on the confidentiality of the data, there may need to be public and non-public versions of the report.

The IE will submit to the Service List for R.21-06-017 or its successor their own **Independent Evaluator Annual Partnership Pilot Evaluation Report**, providing their own analysis and recommendations based on the IOU-provided data within 60 days of receiving the data. The IOU and IE Annual Partnership Pilot Evaluation Reports shall be considered during the DIDF annual reform process, during which the pilots are evaluated, and potential improvements in Year 1 and 2 and off-ramps in Year 3 are considered. [2] The analysis and reporting will occur annually throughout the pilot's term.

IOUs and IE shall each submit to the Service List for R.21-06-017 or its successor a "Midstream Partnership Pilot Evaluation Report" in Year 3 of the Pilot, which will be based on data from years 1-3 to inform CPUC determination of whether Partnership Pilot projects should be initiated in years 4 and 5. (See Attachment B for evaluation timeline). These reports shall be considered during the DIDF annual reform process.

b. Success Criteria

The Success Criteria assessment includes an analysis of three elements: 1) Procurement Results, 2) DER/Aggregator Performance and 3) Local Distribution Reliability. Procurement Results assesses if sufficient DERs were procured to meet the grid need. DER/Aggregator Performance assesses whether the DER performed to meet the grid need and according to its contractual obligations. Local Distribution Reliability assesses operational considerations including: 1) whether the full need of the deferral was met by the DERs, and 2) 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.

The goal of the Success Criteria assessment is to determine whether the pilots

[2] CPUC Decision 21-02-006, p. 80.

were successful in meeting the stated objectives, as illustrated in Figure 1.

Figure 1: SOC and Partnership Pilot Success Criteria

Success Criteria	Standard Offer Contract Pilot	Partnership Pilot
Phase 1:		
Procurement Results	✓	✓
Phase 2:		
DER/Aggregator Performance	✓	✓
Local Distribution Reliability	✓	✓

Figure 2: SOC and Partner Pilot Success Criteria Questions

Success Criteria	Questions to Analyze
Procurement Results	• Were sufficient DERs 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?
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.
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?

Specific questions that the Success Criteria will analyze are listed in Figure 2.[3]

[3] Operational Flexibility: When additional capacity is installed on the distribution system, it

IOUs and DPAG members may suggest modifications to the Success Criteria and Energy Division can modify the questions to be used before each cycle if warranted.

c. Performance Measures

Figure 3: SOC and Partnership Pilot Performance Measures

Performance Measures	Standard Offer Contract Pilot	Partnership Pilot
Phase 1:		
Acceptance Trigger	✓	✓
Procurement Margin		✓
Subscription Period		✓
Tariff Budget		✓
Prescreening		✓
Marketing Partnership		✓
SOC Price Sheet	✓	
Phase 2:		
Customer Attrition and Experience		✓
Ratable Procurement		✓
Tiered Payment Structure		✓

The Performance Measures are metrics that take a deeper dive into assessing elements of the pilots that can be used to inform potential improvements. These Performance Measures are broken down by pilot and phase as provided in Figure 3. The goal of this assessment is to identify areas where modifications may improve the efficacy of these pilots. Note, the SOC Pilot Performance Measures assesses only two elements while the Partnership Pilot assesses a total of nine, as defined in Figure 3.

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often increases the operational flexibility of the distribution system. For example, when a second bank is installed at a substation that previously only had one bank, it may become easier than before to clear the original bank for maintenance. DER projects may impact positively or negatively the operational flexibility of the distribution system and such a determination would be circumstantial. In some cases, the DER may limit operational flexibility when the DER cannot be switched to a different circuit. This would prevent segments of the distribution system from being switched abnormally. Alternatively, the DER may reduce downstream load and potentially enable switching that could not otherwise occur. This would increase operational flexibility if the DER can be switched to the different circuit.

Specific questions the Performance Measures assessment will analyze are listed in Figure 4. IOUs and DPAG members may suggest modifications to the Success Criteria and Energy Division can modify the questions to be used before each cycle if warranted.

Figure 2: SOC and Partnership Pilot Performance Measure Questions

Performance Measures	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 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?	• Same as Acceptance Trigger metrics • 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.
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? • 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.
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	• Prescreening costs • Number and percentage of pass/fail • Number of applicants during each prescreening period. • Cycle time for processing prescreening applications.

	applications that should be included in prescreening?	
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.

d. Data Collection

The majority of the data will be collected by the Utilities, however, the DER aggregators will need to collect data regarding the following areas for the Partnership Pilot, and provide it to the Utilities as it becomes available or at the request of the Utilities for purposes of completing the Evaluation Criteria analysis and reporting:

- Customer Attrition and Experience
  - Total number of customers enrolled for each project, including date of enrollment
  - Number and percentage of customers that have unenrolled, including date and reason broken into categories, if possible
- Ratable Procurement
  - Aggregator survey conducted by a third party to determine the aggregators' preference for ratable procurement versus procuring for the entire need at once
- Tiered Payment Structure
  - Breakdown of the number and percentage of customers enrolled for each project that are new versus existing DER customers
  - Number and percentage of enrolled customers that received 1) enrollment payment, 2) reservation payment, and 3) performance payment
- Marketing Partnership
  - Aggregator survey conducted by a third party

Utilities will provide the remainder of the data, including, but not limited to:

- Phase 1 – Procurement, data to collect includes:
  - Quantity of aggregators, customer affidavits
  - Changes in the forecast distribution need (date and quantity)
- Incremental Costs
  - Customer experience survey conducted by a neutral third-party
- For Phase 2 - Performance, data to collect includes:
  - Dispatch testing results
  - Tranche dispatch performance results (i.e., was dispatch met, quantity of required dispatches, and percentage met)

- Operational related metrics

e. Off-Ramp Criteria

Off-Ramp Consideration

The Decision provides an off-ramp mechanism that permits consideration of whether to initiate the final two years of new Partnership Pilot projects and/or the final year of new SOC pilots projects if early results indicate an off-ramp is warranted. As the Success Criteria are created to evaluate pilot success, off-ramp criteria are established to inform determination of off-ramping by the CPUC. Per the Decision the SOC pilot consideration of an off-ramp occurs in 2023 before the launch of Year 3. For the Partnership Pilot consideration of an off- ramp occurs in 2024 before the launch of Year 4. [4]

The CPUC will make the off-ramp determination for both pilots with enough notice for the IOUs prior to their proximate GNA/DDOR release on August 15, which marks the launch of the next pilot cycle. For the SOC, the CPUC determination should occur by May 2023. For the Partnership Pilot the CPUC determination should occur by May 2024. Per the Decision, off-ramp determination is made by an Administrative Law Judge (ALJ) ruling.

Conducting a mid-stream pilot evaluation based on two years of pilot data may result in incomplete and/or limited data being available in the time frame required for mid-term evaluation. For example, procurement could be completed, but there is little to no operational data available. The limitations of data availability should be taken in account when considering whether to complete year 4 and 5 of the Partnership Pilot and year 3 of the SOC.

To determine if the pilots should be shortened per the timeline above, the off-ramp criteria listed below will be assessed. Both the IOUs and IE will make recommendations regarding off-ramping, based on the criteria. As discussed in the Decision, Energy Division, in consultation with the Distribution Planning Advisory Group (DPAG) is authorized to perform a mid-stream pilot evaluation.

Off-ramping either of the two pilots would be separate decisions for each IOU: one pilot could be shortened after two or three years if it is deemed unsuccessful, while the other pilot completes the pilot period. Further, consideration of off-

[4] CPUC Decision 21-02-006, p. 40 and 61.

ramping each utility's pilots should be evaluated independently of one another such that, for example, the SOC pilot could be shortened if determined unsuccessful in one utility's territory after two pilot years but maintained for another utility if determined successful for them. Each utility has a unique distribution system and unique customer base, and one pilot type may be better suited for one utility than another.

Off-Ramp Criteria

The following criteria can be factored into Utility recommendations for off-ramping after the first 2 pilots year for the SOC and third pilot year for the Partnership Pilot. These criteria can also inform Energy Division recommendations and the final determination by the ALJ Ruling. Alternative options for mid-stream pilot improvement should also be factored into the off-ramp determination.

- Phase 1: Procurement Results
  - Procurement was not reached for at least 100% of the need.
- Phase 2: DER and Aggregator Performance
  - DERs did not reach commercial operation in time to meet the grid need
  - DERs did not operate pursuant to the contract, resulting in termination of the contract.
- Phase 2: Local Distribution Reliability
  - DERs did not defer the traditional wires solution and a contingency plan was implemented.
  - As a result of DER performance, an operational issue or violation (e.g., overload, overvoltage, undervoltage, etc.) occurred and/or measures were taken to mitigate a violation (e.g., switching, temporary generation, load shedding, emergency construction, etc.).
  - Asset health or operational flexibility was negatively impacted by the deferral and a significant local distribution reliability event occurred that would not have occurred with the planned investment.
- Phase 2: Other
  - Administrative costs, unavoidable contingency costs, and other unforeseen costs not included in the deferral value calculation resulted in the deferral being not cost-effective.

II. ADDITIONAL EVALUATION ISSUES

a. Cost-Effectiveness

It is appropriate that the total cost of the Partnership Pilot and the Standard Offer Contract Pilot shall be captured and considered in the evaluation of pilot cost-effectiveness of the pilots. Consistent with the cost recovery for the DIDF and other procurement done in the IDER and DRP proceedings,[5,6] the Joint IOUs will track costs by major work categories that are determined by Energy Division and/or the CPUC to be incremental to costs the utility would have incurred absent the pilots—Administrative, Emergency Contingency and Contracts. The IOUs will not double count costs incurred for ongoing distribution planning and operations.

1. Administrative Costs
    a. System and/or website updates, IT costs
    b. Labor for prescreening, application processing, implementation, etc.
    c. Ongoing dispatch and management of DERs and contract
    d. Independent Evaluator (IE)
    e. Evaluation costs—surveys, data collection and analysis
2. Emergency Contingency Costs
    a. Emergency contingency-related costs due to non-performance such as equipment failure or inability to dispatch
3. Contract Costs
    a. Payments to DER providers, developers and/or aggregators

Consistent with IDER Pilot Guiding Principle A[7], these costs may be taken into consideration during the mid-stream and end of pilot evaluation, to the extent they are known, available, and verified and/or approved by Energy Division and/or the CPUC. Disputed and/or unverified cost information cannot be relied upon for making cost-effectiveness determinations. Guiding Principle F[8] is also relevant to mid-stream and end of pilot cost-effectiveness evaluation and both principles need to be balanced in making determinations on success of the pilots.

b. Independent Evaluator

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[5] CPUC Decision 18-02-004, Ordering Paragraphs aa and bb.
[6] CPUC Decision 21-02-006, Ordering Paragraph 9.
[7] CPUC Decision 21-02-006, Ordering Paragraph 1 – Page 77.
[8] CPUC Decision 21-02-006, Ordering Paragraph 1 – Page 78.

Each IOU shall hire its own IE and recover costs through their respective distribution deferral memorandum accounts.

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 success, improvement, and off-ramp considerations.

c. Incrementality

Utilities and third-party aggregators must adhere to incrementality as a compliance item. To address Public Advocates Office's concerns regarding tracking incrementality, one question is included in the DER/Aggregator Performance section of the Success Criteria to track unexpected outcomes related to incrementality.

d. Testing

IOUs may conduct reasonable tests to validate that the DER can be called upon during a dispatch need when that need does arise. Within the IOUs' Pilot contract terms, the IOUs may include terms that require DERs to be tested before the eligible dispatch period. This initial test will provide IOUs with reasonable assurance that the DER can perform when called upon for dispatch. Subsequent tests may be conducted as well, according to contract terms.