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Distributed Generation: Lessons from the
United States for Europe*

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Keywords : electricity auctions, distributed generation, renewable energy, third energy package

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The Role of Distribution Network Operators in Promoting Cost-Effective Distributed Generation: Lessons from the United States for Europe

By
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We explore the different competitive mechanisms applied by electric utilities from the USA in promoting cost-effective Distribution Generation (DG) resources and the challenges that they face due to the increase in DG connections. Case studies from California, Oregon, Colorado and New York are discussed. The case studies refer to two kinds of competitive mechanisms: Request for Proposals (RFP) and auctions (Renewable Auction Mechanism). The study proposes an auction design with a focus on the UK context and examines the role of energy regulators in auction mechanisms. We think that the experience described in the four case studies can be replicated by Distribution System Operators (DSOs) in Europe, however unbundling rules established in the EC third package need to be taken into consideration.

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1. Introduction

The achievement of renewable targets is one of the main drivers influencing the design of specific mechanisms for procuring renewable generation resources. Different procurement mechanisms respond to different needs, requirements and policy objectives. Electric utilities are (or should be) searching for cost-efficient methods that allow them greater flexibility in meeting their specific needs and future demands. Some of these mechanisms are based on competitive solicitations and auctions and others are based on specific subsidies.

In addition, based on the EU third energy package about unbundling (Directive 2009/72/EC-Electricity Directive), the members are required to ensure the separation of the vertically integrated energy firms. This means that the Distribution System Operators (DSOs), serving more than 100,000 customers, shall be independent from other activities not relating to distribution (generation, transmission and supply). Following [1], the majority of countries have fully implemented the third package. Great Britain is among the countries that has transposed into national the Article 28 of the Directive and has completed the unbundling mandate³. Thus, its Distribution Network Operators (DNOs)⁴ are not allowed to procure energy resources. The distribution licences require (DNOs) to connect generators on a first-come first-served basis without any discrimination between different types of generation. One of the main problems that DNOs are facing now is the significant increase in the number of connection applications and the low rate of acceptance of DG connections. The elimination of the up-front assessment and design fees has contributed to this increase [3].

The current regulatory framework in Great Britain mandates common national policies for the connection of DG customers (set in the Distribution Licence). DNOs are not encouraged to lead specific competitive processes for the connection of more DG with a focus on small size distributed generation projects. We are aware of the transaction costs that this kind of mechanism may add, especially to small-scale projects, however we are also aware of the benefits that competitive mechanism may provide in the integration of DG to the distribution grid. The implementation of this mechanism can help the DNO deals with the increase of DG queries and the low rate of connection offer acceptance, and can encourage more efficient use of the electric infrastructure. This approach may require detailed negotiations between the DNOs and each project that helps to fit the needs of both parties and to reduce unnecessary transaction costs. However this has worked successfully elsewhere. Even though Feed-in Tariff and quota systems are the most popular support mechanisms, with the number of states, provinces and countries that have respectively adopted them as of 2013 being 98 and 79; the global trend in feed-in schemes is centered on reduction (or even removals) of support [4]. Tendering or auctions are becoming more important: a total of 55 countries have turned to public auctions as of early 2014, in comparison with 9 countries in 2009. Central and South American countries remain the global leaders in renewable energy tenders [4].

This study explores different experiences that promote the connection of cost-effective energy projects (with a focus on distributed generation) by electric utilities and identifies the advantages and disadvantages of the different competitive methods applied. The paper focuses on competitive mechanisms and evaluates the design elements and the associated regulatory framework. In contrast with other studies, which mainly refer to centralised auctions including those related to system adequacy [5,6], this one refers to decentralised competitive mechanisms; those carried out by electric utilities instead of government or energy regulators. This study contributes to the literature of decentralised competitive mechanisms applied to small scale DG. We discuss four case studies from the USA. The

³ Around 50% of the countries have already transposed this article into national law [2].

⁴ This term refers to DSO in Great Britain. DNOs hold a licence that enables them to operate in a regional distribution service area.

USA is one of the few countries where the actual competitive mechanisms for the procurement of distributed generation resources are well-documented. The case studies refer to competitive mechanisms with a focus on small and medium size renewable generators. Based on the evaluation of the US experience, we identify and discuss the lessons from competitive mechanisms and the way DNOs in Great Britain – as an example of an EU country - may implement a similar approach while taking into account the EU third package mandate.

The structure of the paper is as follows. Section two describes the most common competitive mechanism practices for the procurement of renewable generation. Section three explores four different case studies from the USA with a focus on competitive mechanisms. Section four discusses the main findings and lessons of the case studies and proposes the design elements of the competitive mechanism applicable to Great Britain which can also be replicated to the rest of European countries following the EC third package rules. The last section sets the conclusions of this study.

2. Current Procurement Strategies for Distributed Generation Resources

This section introduces the most common practices for the procurement of generation resources by electric utilities using competitive mechanisms. A description of the main opportunities and challenges that each approach offers is presented. Two categories of procurement methods have been identified: Request for Proposals (RFP) and auctions. The RFP is the category that applied most widely in the USA. FIT is also among the most popular schemes for allocating renewable generation capacity. Even though its advantages (e.g. guaranteed payment, certainty to generators, lower administrative costs) one of its main drawbacks is that FIT prices do not necessarily represent the most cost-efficient projects. This may have a negative impact on electricity customers. FIT prices are set administratively, thus the chance of overcompensation is high. An extended explanation of additional categories, including FIT, can be found at [7].

2.1 Requests for Proposal (RFP)

RFP is one of the main mechanisms in the USA used to achieve a state level mandatory Renewable Portfolio Standard (RPS) in the promotion of renewable energy generation. RPS, a quota system support scheme, is the main regulatory instrument that promotes generation of electricity from renewable resources in the USA. As of March 2013, 29 states have adopted RPS, 8 states and 2 territories have adopted renewable portfolio goals⁵. Other countries such as the UK, Belgium, Chile and Italy have also adopted this mechanism [8]. RFP involves a bidding process that can take different forms (e.g. pre-qualification following by single round of sealed bids and then selection based on “Least-cost/Best-Fit”⁶ basis). Its design and requirements vary across states, and different renewable targets have been established which reflect their particular needs. RFP is usually associated with the procurement of renewable generation of large-scale generators. The bidding process may involve energy and capacity payments and the purchase of Renewable Energy Certificates (RECs). Some requirements

⁵ See: http://www.dsireusa.org/documents/summarymaps/RPS_map.pdf

⁶ The Least-cost best-fit is specific RPS statute applicable in California that helps to rank the selection of least cost and best fit renewable resources. Least cost bids are those with the lowest costs (direct and indirect including those for the integration of the resource and transmission investment) that fit the best to their system needs. See D.04-07-029 at http://docs.cpuc.ca.gov/PUBLISHED/FINAL_DECISION/38287.htm

also involve a combination of projects (technology neutral or specific) and the option of ownership by the electric utilities after their implementation.

The procurement process is generally managed by the electric utility or a group of electric utilities that operate within the same jurisdiction or state government or local authorities. However, an independent evaluator may be required for the evaluation of offers. The periodicities of these competitions and the delivery time for the procured products also vary across states (from months to years). RFP encourages the selection of the most cost-efficient projects securing lower costs to ratepayers. However, the option of under-bidding or over-bidding is also a possibility. Following [7], under-bidding is a choice due to the competitiveness nature of this approach and over-bidding also may occur if developers include in their offers transactions costs and a risk premium. However, the high transaction costs associated with this mechanism may limit the participation of small projects including those from independent generators and from local community initiatives. Among the countries that faced high transaction and administrative costs in energy auctions are Ireland (Alternative Energy Requirement – AER), France (EOLE Programme) and the UK (Non-Fossil Fuel Obligation - NFFO) [6].

The use of standard contracts, which are usually published in advance (by electric utilities, local authorities or independent evaluators) in the pro forma power purchase agreement (PPA), accelerates the evaluation of the different offers. The pro forma needs to be approved by the local authority before its publication. Skilled developers are usually the most representative bidders in this kind of competitive mechanism, this fact along with the oversight of the local authority and the use of a standard RFP helps to reduce the contract failure rate. Even though the chances of contract failures are lower in comparison with other approaches, there is still a risk. For instance, one of the major problems that the NFFO scheme in the UK (a bidding mechanism that was replaced by the Renewables Obligation scheme) had was the absence of penalties when generators failed to installed the agreed capacity, along with other significant, but fixable, drawbacks that also involved delays in building a project [9]. A report from the California Energy Commission [10] shows this rate is around 30% regarding the long term RPS contracts (10 years or more), since the start of the RPS program. This rate increases to 40% if delayed contracts are considered⁷.

2.2 Auctions

Similar to RFP, auctions are competitive mechanisms that are in search of the most cost-efficient projects and are generally subject to the same advantages and disadvantages already discussed in section 2.1. However, in contrast with RFP, auctions usually are more focused on small and medium scale generators – in the US context. In addition, one of the main differences between RFP and auctions is that the RFP are subject to a set of non-price criteria and in auctions the selection of bids is mainly driven by price alone [7]. The evaluation of the four case studies confirms this statement. The transaction costs associated with this mechanism can be seen as a limitation to small size generators; however the introduction of online auction platforms mitigates these costs.

⁷ Data obtained from the Energy Commission's IOU contract database.

The success of auctions is also subject to the existence of enough competition in the market and homogeneity. Competition depends on the number of players, market concentration and the types of products to be offered and regulation [8]. The stakeholder engagement is also a key point that can help with the success of an auction process. Well-informed bidders make the auction process much easier for all the parties involved. Workshops and seminars also provide the opportunity for small generators to ask for any clarification of the auction (regulatory, economics, technical) and the provision of training sessions (e.g. use of excel sheets for estimating the bidding price). The appointment of independent evaluators also helps.

Auctions also allow electric utilities to define the conditions of the procurement that reflect their particular needs. Auction designs vary and the selection of one or other option would depend on the conditions that better fit with the involved parties (e.g. bidders, electric firms, regulators). Similar to the RFP, the auction design is subject to many issues in terms of the type of auction (sealed-bid auction, clock auction), type of product (electricity and/or capacity contracts, certificates), centralised versus decentralised auctions, dedicated versus not dedicated auctions.

In the USA, Renewable Auction Mechanism (RAM) is the initiative that represents this kind of mechanism well. RAM allows the allocation of renewable generation projects from 3 to 20 MW by the three major IOUs in California. Further details regarding this initiative are given in Section 3.1. Brazil is also an interesting case study of procuring renewable and non-renewable generation open to all generator sizes. This is an example of a centralised auction in which distribution firms determine their future demands (for regulated customers) and aggregate them in a large block that represent their electricity requirements. A comparison between the installed capacity and associated costs regarding two different renewable energy support mechanisms (ProInfa⁸ and renewable energy auctions) suggests that the cost of both mechanisms has been the same; however the auction scheme has delivered 20% more total capacity. In addition, the average energy cost showed a reduction of 25% when auctions were used [8]. Another interesting experience is in Peru where electric utilities are allowed to carry out the auctions (or to make joint auctions) for supplying regulated customers. However, the auction process is subject to strong regulatory supervision and to the application of a price cap (set by the energy regulator). Chile has launched an auction scheme which allows generators (wind and solar PV) to compete for supplying electricity to local electric utilities (regulated customers). The National Energy Commission has recently approved the terms of the new energy auctions which targets around 1,000 GWh for 2016 and 2017, 6,000 GWh for 2018 and 5,000 GWh for 2019⁹. For further details about auction mechanisms in different countries see [5,6].

⁸ Proinfa, created in 2002, was the first scheme that supported Renewable Energy Sources in Brazil.

⁹ See: <http://renewables.seenews.com/news/chile-expects-wind-solar-projects-at-next-energy-auctions-report-438648>

3. US Practice for the Procurement of Distributed Generation Resources by Electric Utilities: Cases studies from California, Colorado, Oregon and New York

Four case studies from the USA have been selected. The four cases refer to wholesale DG (WDG) which relates to the sale of energy to the electric utility. Our selection is based on the extensive experience that the USA has in the procurement of renewable and non-renewable energy sources conducting by electric utilities (decentralised auctions). We have focused only on competitive solicitations across the states of California, Colorado, Oregon and New York that target small and medium sized generators (with a minimum project size of 2 MW). We explore solicitations from different jurisdictions due to the diversity of programmes/initiatives that the respective energy regulators (represented by Public Utilities Commissions) mandate in order to increase production of energy from renewable energy sources. The four states are among the ones with the highest rates for their RPS. The initiatives allow competition between technologies within the same category (i.e. wind versus solar PV) and between different technologies (i.e. non-renewable versus renewable). In addition, one of the initiatives is a simplified market-based procurement mechanism, while the other three relate to the well-known RFP approach. This study concentrates on the competitive solicitations carry out by Southern California Edison (Renewable Auction Mechanism), Public Service Company of Colorado (RFP), Portland General Electric Company (RFP) and Long Island Power Authority (RFP). A detailed comparison is made in Appendix 1. Some figures regarding these electric utilities are shown in Table 1, which also includes as a European reference, figures from UK Power Networks, the largest DNO in Great Britain.

Table 1: Electric Utilities' Characteristics

Company name	State	Service territory		
		Customers (m)	(square mile)	Lines (miles)
Southern California Edison	California	4.9	50,000	103,000 (distribution lines) 12,000 (transmission lines)
Public Service Company of Colorado	Colorado	1,4 (electric), 1.3 (natural gas)	32,000	10,000 (distribution lines) 4,000 (transmission lines)
Portland General Electric Company	Oregon	0.8	4,000	25,000 (distribution and transmission lines)
Long Island Power Authority	New York	1.1	1,230	8,950 (overhead), 4,661 (underground)
UK Power Networks	East of England, South East and London	8.1	11,261	Only distribution: 28,583 (overhead) 85,749 (underground)

Source: Companies' websites.

3.1 Renewable Auction Mechanism (RAM) in California

In December 2010, the Californian Public Utilities Commission (CPUC) adopted a simplified market-based procurement mechanism, the Renewable Auction Mechanism (RAM), in order to procure renewable energy from projects with a capacity between 3 and 20 MW. The initial starting capacity was 1 MW but it was extended to 3 MW later. The three Investor-Owned Utilities (IOUs) are required to implement this programme in their respective service territories. A total capacity of 1,330 MW has to be procured over a two-year period by competitive auctions. Only an eligible renewable resource (ERR)¹⁰ can participate in the

¹⁰ EER means an electrical generating facility that meets the definition of the renewable electrical generation facility in Section 25741 of the California Public Resource Code.

RAM. Unsubscribed capacity or subscribed capacity that drops out can be auctioned in the next auction. Two auctions per year (one every six months) were initially required, however an additional auction (RAM 5) was authorised in order to meet the authorised RAM capacity allocation (up to 1,330 MW) and to replace any executed RAM contract which may fail or may be terminated. The RAM 5 auction took June 27, 2014 and the total capacity to be procured by the IOUs is 464.7 MW. Table 2 shows the capacity bid and contracted and also the number of contracts regarding each IOU for the latest four auctions. Figures suggest that 75.6% of the total capacity allocated to the IOUs (1,330 MW) has already been contracted in the first four auctions.

Table 2: Offers (capacity) and number of contracts for each IOU under the RAM

Utility	Total capacity allocated to each IOU (MW)	RAM 1 (Nov-11)			RAM 2 (May-12)			RAM 3 (Dec-12)			RAM 4 (Jun-13)		
		Capacity (MW)	#	contracts									
SCE	754.4	1,260	67	7	2,133	97	6	1,928	201.5	13	2,021	163.8	10
PG&E	420.9	1,537	62.7	4	1,678	120.1	7	1,444	115	6	1,546	73.3	5
SDG&E	154.7	221	15	2	719	22.9	2	1,162	41.7	4	1,179	25.5	4
Total	1,330	3,018	144.7	13	4,530	240	15	4,534	358.2	23	4,746	262.6	19

Source: [11,12,13,14]

The weighted average price (post-time-of-delivery adjusted) in relation to the first two auctions was less than US\$90/MWh (excluding transmission costs) and in the third auction was less than US\$80/MWh [15]. According to [13] offer prices have shown a downward trend from RAM 1 to RAM 4. Auctions by each utility are held simultaneously in order to promote competition across bidders. Individual or multiple offers can be submitted. RAM allows three types of products. Table 3 also shows the share of capacity contracted over total capacity bid (offers to SCE) for each auction and per product.

Table 3: SCE capacity contracted per type of product

SCE	Capacity contracted per type of product (MW)				% (capacity contracted)			% (contracts)		
	No. of RAM	Baseload	Peaking as available	Non-peaking as available	Total	Baseload	Peaking as available	Non-peaking as available	Baseload	Peaking as available
RAM 1										
RAM 2	0	97	0	97	0%	5%	0%	0%	5%	0%
RAM 3	0	194	7.5	202	0%	11%	5%	0%	11%	6%
RAM 4	0	128	35.8	164	0%	6%	11%	0%	8%	8%
Total	0	486	43.3	529.3						

Source: [13]

The products are: (1) baseload – geothermal, biomass, (2) peaking as-available – solar PV, and (3) non-peaking as available – wind, hydro; and can accommodate full buy/sell or excess sales options. IOUs have set specific targets for each type of product based on their portfolio needs. Solar PV is the one with the highest share of total capacity. SCE has already procured a total of 529.3 MW in the first four auctions.

A pro forma PPA is available before the due date of the bidding and has to be approved by the CPUC. IOUs are responsible for elaborating their own pro forma based on the mandated RAM framework [16]. In relation to contractual terms and conditions, generators can select from three options for contract length: 10, 15 or 20 years. However, the length can be extended in the presence of banked curtailed energy (classified as curtailed return term). The banked energy curtailed refers to the cumulative quantity in any Term Year of curtailed

product that exceeds the curtailment cap and for which it is paid the product price. For further details about the payments given to generators associated with the curtailment cap see [17]. The commercial operation deadline has been set in 24 months from the date of the CPUC approval. Generators are also subject to two kinds of deposits, development security and performance assurance.

In terms of interconnection, generators are required a complete System Impact Study or Phase I Interconnection study or passed Fast Tract Screen. In the case of RAM 4, these studies must guarantee an interconnection date on or before December 2, 2015. Generators can bid their projects based on Energy Only (EO) or Full Capacity Deliverability Status (FCDS) interconnection. The last one is eligible to provide Resource Adequacy (RA) which represents the ability of the electric system to ensure adequate resources as required for reliability in the future. Interactive maps with relevant information about the status of the distribution network are also available for potential bidders free of charge.

Regarding price, the offer price includes not only the product price but also any transmission upgrade costs required for the connection. This means that the evaluated price includes all the costs to build, interconnect and operate the generating facility for a specific period. If a generator bids as FCDS, then the RA benefits are estimated by the utility and are taken into account for elaborating the ranking. The ranking is established per type of product starting with the least expensive until the overall capacity target (plus or minus 20 MW) is reached. According to SCE, ranking is done by the IOUs, based on a CPUC approved ranking methodology. In terms of the evaluation process, an Independent Evaluator (IE) is required. IOUs are free to select their respective IE. Usually a specific website is created for this purpose allowing to bid online.

3.2 Renewable Resources Request for Proposal - Public Service Company of Colorado (All-Source Solicitation process)

The Public Service Company of Colorado (PSCo), an Xcel Energy subsidiary, is the largest IOU in Colorado. PSCo is a vertically-integrated utility providing generation, transmission and distribution services and provides electricity and gas services to around 1.4m and 1.3m customers. PSCo retail electricity and gas sales represent 60% and 70% respectively of the total sales in Colorado [18].

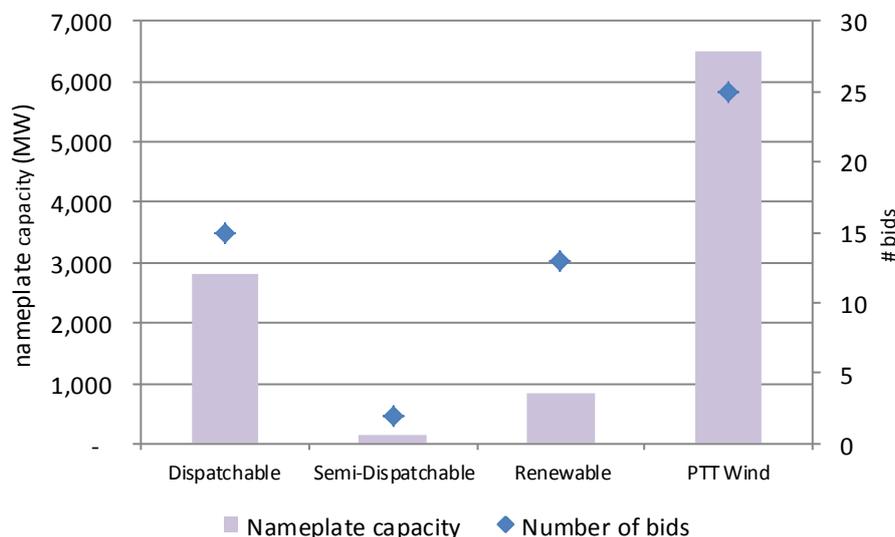
The 2013 All-Source Solicitation process was proposed in the PSCo Electric Resource Plan (ERP) as a response of the requirements set by the Colorado Public Utilities Commission in its Resource Planning Rules (RP Rules) [19]. Four RFPs have been included in this Solicitation: (1) Dispatchable Resources RFP, (2) Renewable Resources RFP, (3) Semi-Dispatchable Renewable Capacity Resources RFP and (4) Production Tax Credit – Wind Resources RFP. Dispatchable resources refer to simple gas turbines, combined cycle gas turbines, stand-alone storage projects. The Semi-Dispatchable Renewable Capacity Resources refer to solar thermal with thermal storage or fuel back-up and any other intermittent resource with storage or fuel backup. Renewable Resources include wind, solar without storage or fuel backup, hydroelectric, geothermal, biomass and recycled energy. Some limitations on the size of capacity are applied based on the Commission's Renewable Energy Standard rules. Production Tax Credit – Wind Resources are represented by those wind power plants that are entitled to a Federal Production Tax Credit¹¹. All these are issued simultaneously by PSCo. The purpose of the All-Source Solicitation process is to acquire enough resources in order to meet the utility's forecasted electric demand (plus a 16.3% planning reserve) over the 7-year Resource Acquisition Period –RAP - (2012-2018). The

¹¹ PTC provides a US\$2.3-cent/kWh incentive for the first ten years of a renewable energy facility's operation. PCT has been extended many times and finally expired at the end of 2013.

total capacity to be filled is around 250 MW over this period. This assumes the continued operation of the Arapahoe 4 (109 MW summer capacity) and Cherokee 4 (352 MW summer capacity) units on natural gas. However, without this assumption the required capacity would be around 719 MW by 2018 [20].

Only with some exceptions, the All Source Solicitation RFPs across the different categories are very similar. In terms of the project structure and capacity per project, this mechanism allows, along with the purchase of energy, the option of acquiring the generation facility during or at the end of the contract term. However, PSCo anticipates that the majority of RFP proposals will be for the purchase of energy by the utility based on a PPA. Additionally, proposals shall be for a new, existing or to-be-built resource. The nameplate capacity of the project must be greater than or equal to 10 MW. PSCo has stated that this size gives the option to connect projects at distribution level that may contribute to overcome lower cost energy from larger projects (which benefit from economies of scale). This value also helps to restrict the number of unwarranted number of bid submissions [19]. Figure 1 depicts the number of bids received and the nameplate capacity per type of product.

Figure 1: Aggregated bidders' nameplate capacity and number of bids

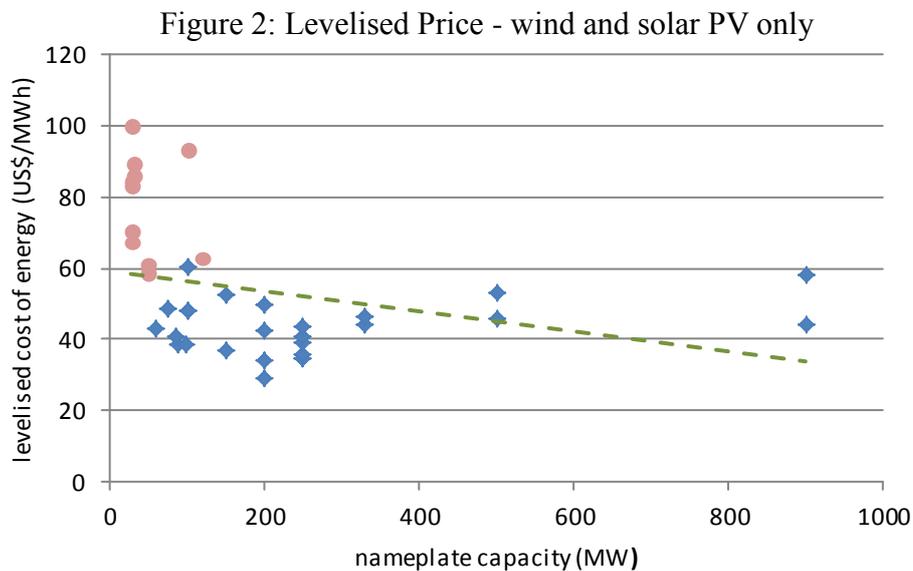


Source: [21]

Accordingly to PSCo, all the bids regarding solar PV and wind refer to new generation units. Bids for gas-fired refer to a combination of both new and existing generation units. Regarding contractual terms, PSCo required developers to start commercial operation prior to May 1, 2018. However, the utility is also interested in acquiring cost efficient wind projects, especially those that make use of the current Production Tax Credits (PTC Wind Resources). For this reason, PSCo performed two parallel evaluations: (1) the wind projects that expect to begin construction prior to January 1, 2014 (i.e. PTC Wind Bids) and (2) all other bids including wind bids. In relation to the length of contract, the bidders may select between short-term bids or long-term bids. Short-term bids attract the attention of existing facilities, and it is expected that these are in a position to offer a lower bid in comparison with the new or to-be-built generation facilities. Bidders, for a single bid fee, may propose up to two contract term lengths for each proposal (short-term and long-term with same commercial operation date). A fixed non-refundable fee has been set for each proposal submitted. Individual or multiple proposals are accepted. The RP Rules also required the appointment of an Independent Evaluator (IE) in order to observe the bid solicitation and conduct a review of the utility's evaluation of proposals.

Concerning interconnection issues, projects can opt for connecting to the transmission or to the distribution network. Those projects that apply for connection to the transmission network are not required to have any existing interconnection agreement or an existing interconnection queue position. In this situation, PSCo will estimate the interconnection requirements and costs.

The evaluation process includes an assessment of non-economic and economic criteria and involves a multi-stage process. Only those proposals that meet the minimum requirements are eligible for evaluation. The non-economic criteria involve different factors, among these are financial strength, development, construction and operational experience, generator technology, availability and warranties; and land use permitting. In terms of the economic evaluation, this has two stages. In the first one, the “all-in” levelised cost of energy (LEC) is estimated. LEC should reflect the proposed price; any cost associated with any new or upgraded interconnection facilities and network upgrade costs, and any applicable resource integration costs. PSCo will incur the costs of upgrading or reinforcing the utility’s transmission system beyond the Point of Delivery. These costs are usually socialised. Figure 2 illustrates the levelised prices of wind and solar PV generation units¹². It is observed that prices associated with solar PV are higher than those related to wind technology. Economies of scale are also noted, the lower the nameplate capacity, the higher the levelised prices. However, according to PSCo the two peaks observed refers to the two bids made by an out-of-state generator which required over 100 miles of new transmission lines. This fact increased importantly the incremental transmission costs included in the bid price. In addition, the bid price also included the load-ratio share of the utility estimated costs (the current transmission system was not able to handle the required injection level).



Source: Data provided by PSCo.

The second stage involves a computer modelling (StrategistTM) and portfolio development. The aim of this stage is to capture the interaction between a bid or group of bids (portfolio) with the utility’s existing generation resources to serve the system needs over time. The computer model is used to solar PV bids portfolios that minimise the net present value of revenue requirements over the forty year planning period (i.e. 2011-2050) [19].

¹² Bid information disclosure is required by the RP Rules after the completion of the competitive acquisition process (i.e. after the execution of all PPAs) [20]. wind bids

In the development of portfolios, PSCo has accommodated bids to specific zones (i.e. Wind Zone, Solar Zone) in order to assign proposed wind sites to a proxy wind generation shape and facilitate the evaluation. Results from the computer-based modelling suggested a core set of bids across varying technologies (preferred portfolio) that amounts to 809 MW of firm capacity comprised of existing gas-fired (25%), existing natural gas (35%), new solar PV (13%) and wind (27%) generation units. This considers the continued operation of Cherokee 4 generation unit.

3.3 Renewable Energy Resources Request for Proposal – Portland General Electric Company

Portland General Electric Company (PGE), a vertically-integrated electric utility, is the largest IOU in Oregon in terms of retail electricity sales (36%) and serves around 0.8m customers. In October 2012, PGE issued the Renewable Energy Resource RFP [22] as a response to the resource needs for future demand established in the 2009 Integrated Resource Plan (IRP). The Action Plan proposed in the IRP included a set of actions that needed to be undertaken for guaranteeing new supply to be placed no later than 2015. The Action Plan involved a mix of new energy efficiency, renewable resources and efficient natural gas generation for energy and capacity needs [23].

In the RFP, PGE was seeking to acquire around 101 MWa (average dispatch capacity over year) of viable renewable energy resources including, but not limited to biomass, wind, geothermal and solar, which must meet the requirements of Oregon's RPS. Capacity caps for each renewable technology were not set. Two kinds of products were defined: (1) firm physical energy purchase – with a minimum of 10 MW; where PGE was entitled to add the estimated costs of obtaining specific services (in case the bidder was not able to provide firmness, regulation, ancillary services for the integration of the product); and (2) ownership position in a renewable energy resource, which allowed different mechanisms for the acquisition of existing plants, projects, or hybrid structures. The start date of operation has been set not earlier than January 2013 and no later than 2017 with a preference by the end of 2015. The length of the contract was for a minimum of 10 year with a target of 20+ years. In addition, a non-refundable bid fee was mandated in order to encourage high quality bids and bidders. The same bid fee applied to a base proposal along with two alternatives proposals for the same resource.

There were two kinds of bids under this RFP: (1) a benchmark bid and (2) a third party bid. Regarding the first one, PGE was allowed to submit one or more benchmark proposals. These refer to site-specific and self-built proposals (benchmark resources) presented by PGE and may represent a potential cost-based alternative for customers. The second one represents proposals received from third parties. Benchmark bids were received two weeks prior to the price bids and were also subject to the evaluation process. If the bidder did not provide adequate performance assurance, ancillary services or integration services, PGE retained the right to include in the bid price the costs to PGE of services. PGE has estimated the integration cost regarding wind and solar in US\$9.15/MWh (2014 prices) and in US\$6.35/MWh (2009 prices) respectively.

In terms of the evaluation process, bids were evaluated using a two-step process: (1) assessment of pre-qualifications and (2) evaluation of scoring factors. In the first one the evaluation took into account pre-established qualifying criteria. In the second one, PGE scored bids that have met the pre-qualification standards using non-price factors that

comprise 40% of the evaluation criteria and price factors the other 60%. The non-price factors reflect performance risks and operational attributes of the bid proposals (e.g. dispatch flexibility, resource term, portfolio diversity). The price score was calculated as the ratio of the bid projected total cost per MWh to the forecast market prices using real-levelised or annuity methods. As previously mentioned, the total costs included the energy price plus other associated costs (e.g. O&M, integration ancillary services costs).

The selection of an initial shortlist of bids was made based on price and non-price factors. The final shortlist of bids was based on the results of the portfolio modelling. Initially, 26 ownership bids and 29 third party bids were carried forward to the price and non-price evaluation process and were ranked according to their total score. Based on the capacity required, the initial shortlist included 13 bids (12 wind bids and 1 hydro bid), with 690 MWa. After the adjustments made by DNV KEMA in relation to capacity factor, the 13 bids were included in the portfolio analysis. DNV KEMA recommended for most offers to decrease the capacity factor by 1-2%, the maximum decrease being 4%. A total of 22 portfolios were analysed using PGE's Aurora XMP production cost model. The final shortlist was developed by eliminating the least competitive economically and those that had substantial qualitative risk. On March 11, 2013 the IE completed the evaluation of bids and provided to the OPUC the final assessment of the bid scoring and the final shortlist selection, comprised of seven projects [24]. PGE selected the Lower Snake River Phase 2 wind farm¹³ (with a nameplate capacity of 266.8 MW), which had the lowest cost and lowest risk project for customers and the utility [25]. Table 4 shows the winner project characteristics.

Table 4: Summary of bid winner – Lower Snake River Phase 2 Wind Farm

Project Name	<i>Lower Snake River Phase II</i>		Project Costs (US\$ m)	
Number of turbines	116		Capex	500
Nameplate capacity/t	2.3 MW		Opex	7.5
Turbine manufacturer	Siemens		Insurances and A&G costs	0.4
Capacity factor	36.80%		Net variable power costs	-22.3
Ownership option	Yes		Depreciation (30 year)	23.7
Project lifetime	20 years		Property taxes	6.9
Initial operation	first half of 2015		Production Tax Credits	-19.8
Interconnection	At transmission level (230 kV)		Net revenue requirement (US\$ m)	40.4

Source: [25,26]. Costs and revenues updated to July 2014.

3.4 Renewable Capacity and Energy Requests for Proposals – Long Island Power Authority

The Long Island Power Authority (LIPA) is a non-profit municipal electric provider that owns the electric transmission and distribution system on Long Island (New York) and provides electricity to around 1.1m customers in Nassau, Suffolk and the Rockaway Peninsula (Queens). LIPA is the second largest municipal electric utility in the USA in terms of electric revenues and the third largest in terms of number of customers. Even though LIPA does not fall under the jurisdiction of the New York State's RPS, LIPA is committed to increase a large percentage of renewable resources to its resource portfolio. In this RFP, LIPA was looking for proposals for 280 MW of new, on-island, renewable capacity and energy [27]. Proposal submissions were expected by end of March 2014. Among the technologies accepted are solar PV, wind, biomass, fuel cells, hydroelectric, tidal and wave energy, others. The minimum project size is 2 MW and the maximum is 280 MW. The maximum capacity awarded to fuel-based renewables in this RFP is 40 MW. Developers or

¹³ PGE changed the name to Tucannon River Wind Farm.

generators must specify the type of technology and the estimated average annual/hourly of net energy production to be delivered to LIPA at the interconnection point. The RFP requires the execution of a 20-year PPA with LIPA. Similar to the rest of the case studies, a draft of the PPA is also available at the utility's website. The figure of independent evaluator is not applicable in this competitive solicitation. LIPA is in charge of managing and evaluating the proposal and all the related documents posted in its website are accessible to anyone without the need of registering. Transmission data will be provided by LIPA only if a request is made (via the RFP website). LIPA will assist the interested respondents by providing a load flow, contingency list, and a one-line diagram around an electrical bus at the proposed interconnection point. Similar to the previous case studies, there is a submission fee which depends on the project size. The fee is a non-refundable but it can be returned only if the proposal is not submitted by the proposal submission deadline. LIPA allows multiple proposals by a single bidder.

In terms of interconnection, there are two kinds of procedures based on the project size. Projects up to 20 MW should follow the LIPA's Small Generator Interconnection Procedures (SGIP) and projects larger than 20 MW should follow the New York Independent System Operator (NYISO) Large Generators Interconnection Procedures (LGIP). It is expected that the project would be able to operate on or before December 31, 2018. The project must be connected to the LIPA transmission or distribution network or to a new transmission line or provide a new transmission capacity onto Long Island. In addition, this RFP does not offer the option of ownership (LIPA only provides transmission and distribution services).

Regarding pricing, LIPA is asking for a firm price (price is not open to negotiation). Price is all-inclusive (including fuel price in US\$/MWh, if applicable). The costs associated with attachment facilities and system upgrades constructed and owned by LIPA should be reimbursed by respondents. These costs may be recovered by respondents through PPA charges.

Proposals are evaluated based on two criteria: (1) the quantitative evaluation criteria and (2) the qualitative evaluation criteria. The quantitative evaluation considers the all-in costs of the proposal. It includes the PPA charges (including fuel costs, if applicable), transmission reinforcement costs, system impacts (e.g. impact on operating reserve requirements, transmission transfer capability, NYISO capacity requirements, ancillary services, etc.), beneficial system impacts if Commercial Operation Date (COD) is met in advance, among others. The qualitative criteria include different factors such as site control and characteristics, community acceptance, quality proposal, ability to meet proposed COD, integration with LIPA system, among others. The RFP does not specify any specific weight for these criteria. Based on the RFP schedule, the selection of the proposals and the execution of contracts are planned by the end of December 2014 and by the first quarter of 2016 respectively. This means that LIPA will not be signing contracts with developers until 2016 even if the project is awarded in December 2014. This is explained by the fact that according to the New York Public Service Law, a PPA can be effective only after receiving a certificate of environmental compatibility and public need from the New York State Board on Electric Generation Siting and the Environment.

4. Discussion of cases studies, lessons and proposal of competitive mechanism design

The case studies refer to vertically-integrated utilities which are allowed to produce and procure distribution generation resources by competitive mechanisms regardless of the firm size. The capacity allocated to each competition varies across the four cases. In general, the size of the capacity (total capacity or product capacity) is in line with the RPS targets that the

Public Utilities Commissions have set in their respective jurisdictions. Three out of four of the cases studies refer to more sophisticated auction process (RFP) subject to qualitative and quantitative evaluation criteria, including the use of computer modelling in order to develop and identify the most cost-efficient portfolio (especially when the ownership option is offered). In comparison with the auction schemes, the scope of RFP is wider and may include a group of renewable energy resources, a specific renewable energy resource or a combination of both renewable and non-renewable energy resources.

The evaluation criteria across the four case studies mandated in general the selection of those projects with the lowest prices (US\$/MWh) after the inclusion of additional costs such as transmission upgrade costs (memo: transmission voltages start at 66kV in the US), O&M, ancillary services, and some other costs. The selection of those projects with the lowest energy prices or most cost-efficient portfolios is supported by the fact that electric utilities are entitled to purchase electricity in order to meet the customer demand. Even though the transmission costs are usually socialised among all the grid users (or initially born by generators which are refunded later on), it makes sense to add these costs to the total offer. This encourages the selection and implementation of the least expensive projects not only in terms of tariffs but also in terms of connection costs (sole use assets and reinforcement costs, if applicable). The bid price is usually non-negotiable in order to guarantee a fair treatment among all bidders and to simplify the process; however, negotiations were allowed by PGE only on the top-rated bid. Following [25] this encourage bidders to submit their best offers and to compare resources and select the short list based on the project's true costs. Excluding RAM, all solicitations have asked for a bid evaluation fee. This helps to reduce the number of speculative offers and to increase the chance of better evaluations to be carried out by the Independent Evaluator (IE) / electric utilities. Deposits have been also required by electric utilities (against development and performance assurance). As previously mentioned, the absence of penalties was one of the major problems of the Non Fossil Fuel Obligations scheme in the UK, which was based on a bidding mechanism [9].

4.1 Applying a DG procurement auction in Europe

The RAM and RFPs schemes analysed in this study represent two different well-developed competitive mechanisms that have contributed to the selection of the most cost-efficient energy projects. Results from consecutive auctions with similar products (e.g. RAM), have shown that the average bid price has decreased over time regarding the first four auctions. The two schemes also represent well-documented decentralised auction mechanisms carried out by electric utilities. Most of the relevant documentation is on the utilities and IE websites. Even though, these have been applied by vertically-integrated electric firms, we think that a similar auction design can be put in practise by the DSOs from Europe taking into consideration the EC third package. As already mentioned, DSOs with more than 100,000 customers, which are around 253 [2], are not allowed to purchase electricity. However, this fact does not prevent these DSOs from implementing similar competitive mechanisms. One way is to allow DSOs to allocate only generation capacity, where the cost of connection is bid. The other way is by conducting a competitive mechanism in association with a local supplier where the bid price will include not only the connection costs but also the purchase of energy by a third party supplier (which could be a licensed electricity supplier or a national government energy procurement authority). Thus the difference between our case studies and this specific case is the nature of the counterparty to the contract (three instead of two). For vertically integrated DSOs with less than 100,000 customers, which are around 2,347 [2], a similar approach such as the RAM can be followed, which represents the most straightforward approach. In agreement with the rules given by the energy Public Utilities

Commissions in relation to the auction mechanisms, national energy regulators from the member states should be involved in promoting this kind of initiatives not only as trials but as business as usual. Countries where the unbundling rule has already been transposed into national law (11 out of 24, as of July 2012), may represent suitable places for the application of decentralised auction mechanisms. The implementation of competitive mechanisms is also in line with the aim of the EC third package, especially in keeping prices as low as possible. Competitive mechanisms, not only help to the selection of the most cost-efficient projects and depending on their periodicity (i.e. two auctions every year), might also help the DSOs to manage the increase in the number of DG connection enquiries and related issues (i.e. large number of speculative connections and low rate of connection offer acceptance). For instance in Great Britain DNOs are required to connect DG facilities on a first-come first-serve basis and to facilitate competition in supply by allowing licensed suppliers to use their distribution network for the transport of energy from the transmission system (or DG) to customers. UK Power Networks, the largest DNO in Great Britain, indicates that the number of DG connection enquiries has increased significantly, from 208 in 2008 to 6,879 in 2013. Most part of enquiries refers to photovoltaic technology (87.8%) followed by wind (6.2%). Another GB DNO, Northern Powergrid (NPG), has also shown a large increase in the number of enquiries, from 1,300 in 2010 to 5,300 in 2012 [28]. This demonstrates the challenge that DNOs are facing in providing quotes within the timelines set in the Guarantee Standards of Practice (GSoP). UK Power Networks is also the DNO with the lowest rate of acceptance of DG connections, 5.5% and 7% in 2012 and 2013 respectively. Scottish Power has a rate above 80% and Scottish and Southern Energy a rate of 40% [3]. In other European countries, a similar behaviour would be expected, especially in those countries where renewable energy sources have priority connection to the grid system. Among these countries are Germany, Italy, Portugal, Belgium and Spain [29].

4.2 A Proposal of Competitive Mechanism Design for Connection Only

Another option to accelerate lower cost connection in Europe, in the context of the third package, is to simply have an auction for connection to the DNO network. This takes existing subsidy regimes for renewable generation as given (e.g. the presence of a national FIT). An auction process is then used to allocate the available capacity for connection of new DG at a particular Point of Connection (POC). Each DG bids a maximum willingness to pay per MW of connected capacity, subject to a minimum value which covers the cost of connection. Scarce connection capacity can be allocated on the basis of the highest firm bids for connection at each POC. An example of such a competitive mechanism design elements applicable to the UK context¹⁴ is shown in Table 5.

Table 5: Competitive Mechanism Auction Design

¹⁴ A related auction initiative has already been proposed by Northern Powergrid in the RIIO-ED1 Business Plan. The DNO has proposed the implementation of a reverse capacity auction for Demand Side Response via online [30].

Concept	Competitive Mechanism
Product	Only DG connections All technologies (renewable and non-renewable) Generator size: subject to the capacity estimated at each Point of Connection (POC)
Counterparties	DG and DNO
Evaluation/selection criteria	Based on pre-qualification criteria and connection cost (£/MW) Highest offers (connect now) or bids are the ones selected first (subject to available capacity at POC) Operational date: no more than 2/3 years
Curtailment 1/	Methods: LIFO/Pro Rata (FPP), no compensation In case of Market-based (compensation schemes/incentives) If generators are part of the Balancing Mechanism (BM), they may be compensated in case of curtailment
Number of auctions/year	2
Independent evaluator	Yes
Evaluation fee	Yes (£/MW) with option of refund to those that bid at least once (but are no winners) Online payment
Deposits	Yes (development security, performance assurance)
Submission	Proposal to be submitted online
Online material/requirements	Excel sheet: As reference for estimation of potential revenues Pro Forma Connection Agreement Interactive network connection map with potential POCs Documentation: Specifications of minimum documentation to be provided by the respondents to the DNO

1/ There are different methods for reducing generation output: LIFO (last-in first-out: the last on the list is the first to be curtailed), Pro rata (curtailment is equally allocated among all generators), Market-based (generators compete to be curtailed by offering a price based on market mechanism). For further details see [17].

In relation to the product, the process is open to any kind of technology (renewable or non-renewable). There is no specific requirement in terms of the generator size. This mainly will depend on the available capacity at each POC, pre-determined site, to be specified by the DNO. Regarding the counterparties, they would be the DNO and the DG customers and a connection agreement would be required. If the energy price is also included in the bid price, a third party (e.g. suppliers, trading party, system operator) would be required because DNOs are not allowed to purchase energy from generators and a PPA would be also necessary [31]. In terms of the evaluation and selection criteria, and in agreement with the case studies analysed, we also recommend a set of pre-qualification criteria (without scoring) in order to select those generators with the highest chance of actually connecting. In the existence of network constraints, generators may be subject to the reduction of their generation output (curtailment).

There are different curtailment methods (called Principle of Access), among there are LIFO, Pro Rata and Market-Based [17]. If a market-based approach is selected, compensation or any other incentive to generators should be defined in the connection agreement¹⁵. Similar to the RAM scheme, we would suggest to carrying out 2 auctions per year and also to give preference to those projects that are able to connect within the two or three years of the connection agreement. The appointment of an independent evaluator provides more transparency to the bidding process, equal treatment among bidders, sets standard evaluation criteria, and provides equal access to relevant information and documents (online). We think the experience of SCE, PSCo and PGEC suggests an independent evaluator is a good idea. The collection of bid evaluation fees would reduce speculative DG connection proposals. We suggest a payment based on the nameplate capacity (£/MW) with the possibility of refund if generators place winning bids. Deposits (for development security and performance assurance) should also be required to increase the chance of selecting the DG customers that can meet their obligations to generate as set out in the connection agreement. We also encourage online submissions and the provision of relevant information (excel sheets, pro-

¹⁵ This study is only focused on the implementation of a competitive mechanism for allocating DG capacity. However, competitive mechanisms can also been applied to the management of generation output (curtailment). For further details about commercial models that cover different options of active management of DG see [32].

forma contracts, interactive maps) that may facilitate the proposal submissions and evaluations.

Even though the example given is in relation to the UK electricity market, we believe that a similar approach can be replicated by other DSOs from Europe taking into consideration the third package rules. In terms of the auction methods, from the cases studies, a sealed non-negotiable bid is the method selected in the majority of cases with the option of negotiation in only one case. However, [6] suggest that for renewable auctions a hybrid approach composed of descending-clock phase (price discovery) followed by sealed-bid (for preventing collusion) is the most recommended. The advantages and disadvantages of these or additional methods are considered elsewhere. For further details about the different methods see [33].

5. Final Remarks

Four cases studies from California, Colorado, Oregon and New York have been selected in order to gain a better understanding of the way in which competitive mechanisms for the procurement of energy resources have been implemented and to explore different options for the application of competitive mechanism for the acceleration of DG connections in a cost-efficient way. Public Utilities Commissions (which enforce the state-level regulation at distribution and transmission level) play an important role in the development of different competitive or non- competitive approaches that electric utilities have implemented to achieve the RPS targets for each jurisdiction. We have observed a similar behaviour across electric utilities (private and public) in the way in which competitive competitions such as RFP or auctions (e.g. RAM) are being managed.

One of the main advantages of competitive mechanisms, in comparison with those where the tariffs are set administratively (e.g. FIT), is the possibility given to the market to define the price; this is then translated into lower bid prices and lower costs to customers (by selecting the most cost-efficient energy projects). Transmission or distribution upgrades, if required, might impact importantly the bid price due to the increase in marginal transmission or distribution costs (e.g. when a generator is an out-state generator and/or the system cannot handle the new capacity due to system issues). In order to capture any additional costs and to make appropriate comparisons among competitors, the bid price should reflect the total costs/benefits (connection, reinforcement, additional services). The four case studies have followed the same pattern by suggesting the inclusion of all the related costs in the bid.

Even though the four experiences explored refer to vertically integrated electric utilities, we believe that the method can be applied to DSOs taking into consideration the EU third package rules. The example provided in relation to the auction design elements focused on the UK electricity context, by defining the bid price based only on the capacity required (£/MW). This approach can be applied to any DSO in Europe with more than 100,000 customers. However, suppliers could also run the auction process would be very similar to the one applied by the electric utilities from USA, where connection and energy are bid. For European DSOs with less than 100,000 customers and that are vertically integrated, a third party purchaser of the energy would not be required. In addition, well-designed competitive mechanisms would also help DSOs (such as those in the UK) to manage more efficiently issues related to DG connection enquiries (e.g. large number of speculative connections and the low rate of connection offer acceptance).

Similar to the Public Utilities Commissions from the USA, energy regulators in Europe would be very involved in the design of the new competitive mechanisms discussed in this

paper. They already regulate national auction regimes and could readily oversee more decentralised competitive strategies that allow DSOs to manage more efficiently the increase of DG connections taking into account the EU third package rules.

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Appendix 1: Auction/RFPs Design - Comparison table

Auction/RFP	GENERAL			PRODUCT		CONTRACTUAL TERMS						
	State	Utility Name	Utility Regulatory framework	RFP Release	Technologies/type of products	Total capacity	Ownership	Capacity cap per project	Length of contract	Operation date	PPA Pro Forma	Deposits
Renewable Auction Mechanism	California	Southern California Edison (IOU)	G, T, D CPUC (2010)	RAM 1: 19/09/2011 RAM 2: 30/04/2012 RAM 3: 15/11/2012 RAM 4: 16/05/2013	Eligible Renewable Resource (ERR). Products: (1) baseload, (2) non-peaking as available, (3) or existing generating facility. Full Buy/Sell or Excess Sales options	1-330 MW (full programme) 529.3 MW (produced by SCE across all RAMs)	No option	Between 3 and 20 MW. In RAM4 SCE the capacity cap per type of product has been set at :15, 20 and 146MW respectively	5, 10, 20 years. Extension may be an option (curtailed return term)	Within two years from the date of CPUC approval with maximum extension of 6 months	Yes, one for all products	(1) Development security - US\$60/kW for as-available and US\$ 90kW for baseload and (2) Performance assurance -5% of expected total project revenues
2013 All-Source Solicitation	Colorado	Public Service Company of Colorado (IOU)	G, T, D PSCC (2011), Decision No. C13-0094	01/03/2013	Renewable and non-renewable. Acceptable renewable technologies are: wind, solar (with/without storage or fuel backup), hydro, biomass, recycled energy gas plants)	Up to 250MW (period 2012-2018) but for All-Source Solicitation (up to 719MW, including production of the two existing natural gas plants)	Option to acquire the generation facility during or at the end of the contract term	Greater than or equal to 10MW	Two contract terms: (1) short-term proposal (long-term and (2) long-term bids). Seven year resource summary acquisition period (2012-2018)	Prior to May 1, 2018 (short-term bids), June 1, 2018 (long-term bids). Seven year resource acquisition Yes, one per type of technology	N/A	Performance assurance. Amounts and methodology vary across the different stages (submission of bid, between contract execution and COD, after COD).
2012 Renewable Energy Resources Request for Proposal	Oregon	Portland General Electric Company (IOU)	G, T, D PGE (2009), OPUC competitive bidding guidelines	01/10/2012	Wind, solar, hydro, geothermal, biomass, biogas	Up to 101 MW/a	Different mechanisms for the acquisition of existing plants, projects, or hybrid structures	Greater than or equal to 10MW	Minimum 10 years, target 20+ years	Between 2013 and 2017	Yes, one for all products	N/A
Request for Proposals for 280MW of Renewable Capacity and Energy	New York	Long Island Power Authority (Municipal Utility)	T, D LIPA's 2010-2020 Electric Resource Plan, LIPA (2013)	18/10/2013	Wind, solar PV, biomass, fuel-cells	Up to 283 MW	No option (LIPA is a transmission and distribution utility only)	From 2 MW to 283 MW (up to 40 MW to biomass and fuel cells)	20 year contract	By 2018 at worst (around 5 years after the RFP release)	Yes, one for all products	N/A

Own elaboration.

Appendix 1: Auction/RFPs – Design Comparison table (cont.)

Auction/RFP	PRICES, BIDDING PROCESS AND EVALUATION				INTERCONNECTION (CONNECTION) AND OPERATIONAL ISSUES				
	Type of proposal	Selection criteria	Competition among technologies	Independent evaluator	Bid evaluation fee	Interconnection	Transmission upgrades	Network Maps	Curtailment cap (year)
Renewable Auction Mechanism	Individual/ Multiple	Offers with the lowest prices are selected. Total price is composed of: bid price (levelised) + network upgrade (optional) – resource adequacy (optional)	Different technologies (from different products) do not compete against one another due to the set of a capacity cap per type of product	Yes. Action Group	No	Transmission and/or distribution grid. SCE requires complete System Impact Study or Phase I Interconnection study or passed Fast Tract Screen. Energy Only or Full Capacity Deliverability Status (FCDS) interconnection	Should be reflected in the offer. These are refunded to generators over a five-year period	Yes (Google earth)	50 h - MWh (if this amount is exceeded generators are compensated under specific conditions)
2013 All-Source Solicitation	Individual/ Multiple	Selection of projects that meet the resource needs in reliable and cost-effective manner. Assessment of economic and non-economic criteria. The economic evaluation has to stages: (1) all-in levelised cost of energy (LEC) and (2) computer modelling and portfolio development. Rank each bid based on "all levelised cost of energy" (LEC). Includes interconnection costs, network upgrade costs, resource integration costs. Project to interconnect to the distribution grid will be credited with avoided line losses in their LEC calculations. The utility may estimate resource integration costs (e.g. wind) based on specific studies.	All types of technologies (renewable and non-renewable) compete against one another. RFPs to be issued simultaneously; 2013 Dispatchable Resources RFP, 2013 Renewable Resources RFP, 2013 Semi-dispatchable renewable capacity resources RFP	Yes	US\$ 10,000 (per proposal submitted). Non-refundable	Transmission and/or distribution grid. PSCC estimates the interconnection requirement costs if the bidder does not have an interconnection agreement or interconnection queue position certificate of public convenience	Should be reflected in the offer. Cost of transmission upgrade to be incurred by utility only with certificate of public convenience	N/A	Curtailment assumptions included in the computer modelling (Strategist). The RFP does not specify any curtailment cap
2012 Renewable Energy Resources Request for Proposal	Individual/ Multiple	Two stage approach: (1) assessment of pre-qualifications and (2) evaluation of scoring factors. In the last one PGE scores bids (pre selected) based on: Pricing (60%) and Non-Pricing (40%)	Yes but from the same category (renewables only)	Yes. Action Group	US\$ 100/MW. Maximum US\$ 10,000 MW	Transmission grid	Transmission service costs may be added to the price (ancillary services, losses, wheeling) and any other incremental costs for transmission or distribution system upgrades required to deliver the energy to the utility's load	N/A	N/A
Request for Proposals for 280 MW of Renewable Capacity and Energy	Individual/ Multiple	Two evaluation criteria: (1) quantitative and (2) qualitative. In terms of the quantitative evaluation, pricing are all-inclusive (including the cost of fuel, if applicable)	Yes but from the same category (renewables only)	No	Refundable only if the proposal is not	Transmission and/or distribution grid	Should be reflected in the offer	N/A	N/A

Own elaboration.