

MI Power Grid: Competitive Solicitation Workgroup

October 22, 2020

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The following information is provided for education and discussion purposes only.

Consumers Energy's comment, or lack of comment, on a particular topic does not indicate either acceptance or disagreement with the subject matter.

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Responses provided through the Company's written comment shall determine the Company's position in the event of discrepancies between this presentation and written comments.

Agenda

- Consumers Energy's Experiences
- Utility Perspective of Workgroup Topics

Consumers Energy's Experiences

Renewable Energy Plan Request for Proposal (RFP)

- 2008 Guidelines for Competitive RFP for Renewable and Advanced Cleaner Energy (12/4/2008 Order Case No. U-15800)
- Administered by Consumers Energy
- Technology: landfill gas, anaerobic digestion, hydroelectric, wind, solar, storage
- Procurement: Power Purchase Agreements (PPAs), Build-Transfer Agreements (BTAs), Development Asset Acquisitions (DAAs)
- Quantitative and qualitative evaluation

Consumers Energy's Experiences

Reverse Auctions

- FERC guidance for affiliate transactions
- Independent administrator
- Technology: all source (Zonal Resource Credits)
- Procurement: Master EEl Purchase Agreements with transaction confirmation
- Quantitative evaluation (Volume and Pricing)

Consumers Energy's Experiences

Integrated Resource Plan RFP

- 2008 Guidelines for Competitive RFP for Renewable and Advanced Cleaner Energy (12/4/2008 Order Case No. U-15800), plus
 - Public Notice
 - Terms of contract included in RFP - MCL 6t(6)
 - Independent Administrator (Evaluator)
- Technology: Solar and PURPA Qualifying Facilities
- Procurement: PPAs, BTAs, Company Proposal
- Respondent/project screening, Value Added Criteria, qualitative ranking

Utility Perspective

Overview

- Consumers Energy favors guidelines over rulesets to enable:
 - Agility for continuous improvement
 - Flexibility for utility size and procurement strategy
- Utilities have successfully implemented competitive procurement based on the 2008 Guidelines for Competitive RFP
 - Workgroup should use these guidelines as a base and address the Order's subject matter as modifications
 - The Company's IRP procurement uses this approach

Utility Perspective

Overview (continued)

- The workgroup process currently combines MPSC Order, FERC Order and MI Statute which is challenging and creates confusion on stances made by the Company
- The following perspective is provided under the assumption that the outcome of the workgroup will result in guidelines for IRP supply-side procurement activities and does not necessarily, apply to (list is not exhaustive):
 - Commodity purchases
 - Voluntary Green Pricing Programs
 - Utility administered distribution-based programs

Utility Perspective

All source bidding

- Limited applicability for pre-IRP solicitations.
 - Could be used as a discretionary means to acquire a resource or gather pricing information for new and/or unique technology solutions that may lack publicly available data sources
 - Pre-IRP solicitations are not always necessary and could needlessly complicate IRP development
- IRP Proposed Course of Action guides technology for post-IRP RFPs, and all source bidding undermines a utility's IRP

Utility Perspective

All source bidding (continued)

- Challenging to incorporate all source bidding into:
 - RFP evaluation tools;
 - Triple Bottom Line Purpose of People, Planet, and Prosperity;
 - Corporate sustainability goals
 - Electric Supply Reliability
- Less challenging to implement all source bidding for commodities (i.e. only capacity or only energy)

Utility Perspective

Third-Party Review

- MPSC Staff and Commission can provide sufficient confidential oversight of bids, process, and selection
- Independent Administrator is useful to meet FERC's affiliate guidelines
- Potential to compromise the integrity of the independent and confidential process by unintentional, intentional, or indirect sharing of bidder competitive information
 - The threat of information release may prevent respondent participation
 - Stakeholders may represent the interest of or have indirect ties to respondent's competitors

Utility Perspective

Third-Party Review (continued)

- The Company's stance on third party review is dependent on the definition of third party
 - The Company's post-IRP procurement process established in the IRP
 - Third-party review of Independent Administrator's evaluation and ranking is duplicative to oversight by MPSC Staff
 - Potential Respondents reviewing and providing feedback on the process is beneficial to continuous improvement

Utility Perspective

Information for RFP

- Providing scoresheet has the potential to help or harm an RFP
 - Better Proposals or
 - Potential for gaming
- Terminal Value of Company owned assets
- Qualitative matrix versus Value Added Criteria
- Template Contracts are helpful to reduce negotiation time
- Providing information publicly limits the purchaser's ability to consider unique proposal structures

Utility Perspective Summarized

- Utilities should have the flexibility to tailor competitive procurements to the needs of customers and the business.
- Consumers Energy favors guidelines over rulesets
- 2008 Renewable Energy Plan Guidelines for Competitive RFPs has worked well