



# JOINT UTILITIES OF NEW YORK

## Technical Conference: Utility Storage RFP Process

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September 24, 2020 (9:30am EST)



# Agenda

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- Introduction, Welcome, Process for Technical Conference
- Background on Storage RFP Processes
- Modification Considerations to Joint Utilities' Storage RFPs
- Additional Questions and Comments
- Next Steps and Final Thoughts



# Introduction, Welcome, Process for Technical Conference

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- Welcome
- Introduction of Presenters
- Process for this Technical Conference:
  - New York State Energy Research and Development Authority (“NYSERDA”) is operating Webinar and Chat function
  - Use of Chat function for asking questions
  - We will address questions and seek feedback as we present proposed revisions by topic
  - There will also be an opportunity for additional questions and feedback at the end of the presentation
- We will attempt to address all questions, but we will need to keep moving to ensure we cover all material
- Additional input may be provided within two weeks following the technical conference (by Thursday, October 8) via the following email address:  
[info@jointutilitiesofny.org](mailto:info@jointutilitiesofny.org)



# Background

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- The 2018 *Order Establishing Energy Storage Goal and Deployment Policy* (“Storage Order”) requires Con Edison to competitively procure at least 300 MW of storage capacity and each of the other electric investor owned utilities (“IOUs”) to procure at least 10 MW each (all NY IOUs together, “Joint Utilities”)
  - Assets must be operational by December 31, 2022
  - Contracts up to 7 years
  - NYSERDA bulk system incentive to work in coordination with utility procurements
- Each of the Joint Utilities separately conducted an initial round of RFP solicitations in 2019. Bidders were notified of results by May 15, 2020.
- Following the first round of RFPs, each of the Joint Utilities separately conducted exit interviews with participating developers.
- The next round of RFPs is expected Q2 2021.
- The Joint Utilities have been working in coordination with NYS Department of Public Service Staff (“Staff”) and NYSERDA to determine revisions to RFPs for the next round of solicitations.
- The following slides address the specific issues being considered for revision.



# Solicitation Timelines

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## **Proposed revision:**

- Lengthen the procurement timeframe
- Add down-selection step to provide bidders with more leverage in supplier negotiations and Bidder-specific Q&A

## **Background/Purpose:**

- In order to meet the required operational deadline, the IOU solicitation process was kept to 6 months.
- The shortened timeframe made it difficult to meet the solicitation project maturity requirements and run competitive solicitation for suppliers.

## **For discussion:**

- Assuming same project maturity requirements, what is the required development timeframe from announcement to bid?
- Additional feedback?

# Payment Structure

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## **Proposed revision:**

- Spread payments more evenly over the term of the contract, allowing post-commissioning security requirements to be reduced
- Reduce pre-commissioning security to less than what was previously required

## **Background/Purpose:**

- Original solicitation included upfront payment in order to facilitate developer financing
  - In some cases this resulted in higher security requirements.
- Utilities received feedback that high pre- and post-commissioning security requirements increased bid prices and that large up-front payments caused difficulties with financing for some developers and annual payments did not cover O&M costs.

## **For discussion:**

- What is the right balance of upfront payments vs. payments over the remainder of the contract? (e.g., 25% up front; even payments for remainder of contract)
- Additional feedback?

# Contract Duration

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## **Proposed revision:**

- Extend contract duration to up to 10 years

## **Background/Purpose:**

- Current contract duration is up to 7 years.
- Several developers provided feedback that uncertainty in post-contract market led to attributing little or even negative value to merchant “tail” years.
- There was significant consensus in developer feedback that extending contract duration would spread costs over longer period of time while increasing potential contract revenue, resulting in more customer value.

## **For discussion:**

- What market changes are required to provide comfort with merchant revenue risk?
- Will 10-year timeframe materially change bid price/risk consideration?
- Additional feedback?

# In-Service Date (Commercial Operation Date )

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## **Proposed revision:**

- Change COD: from December 31, 2022 to December 31, 2025
- Utilities may require contractual in-service date prior to the Storage Order in-service date to allow for grace period from contract COD.

## **Background/Purpose:**

- Commercial Operation Date (COD) of December 31, 2022 is not feasible for resources being procured in 2021.

## **For discussion:**

- Additional feedback?



# Energy Storage Technical Requirements

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## **Proposed revision:**

- Include alternatives to 4-hour storage duration requirement (e.g. 1-hour option)
- RFPs may still specify what products bidders may submit offers for

## **Background/Purpose:**

- First round of RFPs specified a 4-hour storage duration requirement and a Maximum Number of cycles per year (also a Maximum Number of cycles per day) requirement.
- Utilities received feedback that removing the storage duration requirement would bring in a wider range of bids and address concerns related to buyer-side mitigation issues (*i.e.*, a 1-hour duration battery can provide regulation or operating reserves which could still be competitive if capacity revenues are uncertain).
- Utilities received feedback that a Maximum MWH Throughput per year (also a Maximum MWH Throughput per day) requirement may align better with manufacturers' warranty and contractual requirements.

## **For discussion:**

- What measurement basis are developers seeing in the market for warranty (e.g., cycles, MWh discharged, total throughput)?
- Are bidders interested in building and owning 1- or 2-hour duration assets?
- Additional feedback?

# Utility Ownership and Later Divestiture

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## **Proposed Revision:**

- Provide developer option to sell the project to the utility at COD.
- Developer would provide O&M services for defined period (e.g. 5 years) at which time utility would offer project for sale.

## **Background/Purpose:**

- Mitigate uncertainty in post contract market revenues by having developer sell the project to the utility at COD.
- Utility would offer the project for sale to third parties after demonstrated experience capturing NYISO market revenues.

## **For discussion:**

- Additional feedback?

# Additional Q&A

# Next Steps and Final Thoughts

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- Joint Utilities to review input, discuss feedback with NYSERDA and DPS Staff
- Plan to file petition with suggested changes relative to energy storage solicitations described in the Dec. 2018 Energy Storage Order
- Second RFPs will not be identical to first RFPs nor among utilities
- Not all utilities are planning to issue second RFP

