

PSEG Long Island

Request for Information

**Input for the Development of 2015 Renewables RFP**

**August 17, 2015**

**Revised August 25, 2015**

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# Information

PSEG Long Island (PSEGLI), on behalf of the Long Island Power Authority (LIPA), is planning to issue a Request for Proposal (RFP) for renewable energy resources that are either located on Long Island and/or directly interconnected to the Long Island electric grid in the fourth quarter of 2015. . To help achieve a productive RFP process, PSEGLI is issuing this Request for Information (RFI) from entities experienced in financing, developing and operating RPS qualified renewable resources on Long Island and elsewhere, and industry trade groups with a renewable resource background (collectively, “Respondents”).

## Background

The Long Island Lighting Company d/b/a LIPA (“LIPA” or “Company”), a corporation organized and existing under the laws of the State of New York is a wholly owned subsidiary of the Long Island Power Authority, a corporate municipal instrumentality and political subdivision of the State of New York. LIPA, by and through its agent, PSEG Long Island LLC, provides electric service to approximately 1.1 million LIPA customers in its service area, which includes Nassau County, Suffolk County, and the portion of Queens County known as the Rockaways, in the State of New York.

Pursuant to the Amended and Restated Operation Services Agreement (“A&R OSA”) dated December 31st, 2013, as it may be restated, amended, modified, or supplemented from time to time, between LIPA and PSEG Long Island, PSEG Long Island through its operating subsidiary, Long Island Electric Utility Servco (“Servco”), assumed the responsibility as LIPA’s service provider, to operate and manage LIPA’s transmission and distribution system (“T&D System”) and other utility business functions as of January 1st, 2014.

PSEG Long Island provides a wide range of energy-related services to LIPA’s customers through various energy efficiency & renewable programs in its service territory, with the exception of customers located in the towns of Rockville Centre, Freeport, and Greenport. Information that any interested party wishes to submit will be done so voluntarily with the understanding that this RFI is for information gathering purposes only and is not a formal solicitation. RFI responses should outline the Respondents suggested approach to improving the renewable RFP process. The responses should not include a proposal or information about pricing.

In 2012 the LIPA Board of Trustees directed the procurement of 400 MW of new renewable resources connected to the Long Island electric grid. These resources were anticipated to be obtained through: the 100 MW Clean Solar Initiative feed in tariff, the 20 MW Clean Renewable Initiative feed in tariff, and the 280 MW Renewable RFP. These procurements resulted in less than that targeted 400 MW of new renewable resources. The 2015 Renewable RFP is intended to bring the total renewable resource procurement to the 400 MW target.

## RFI Purpose

The purpose of this RFI is to provide input from the renewable development community to assist PSEGLI in preparing the 2015 Renewable RFP and future procurements.

This RFI solicits responses from Respondents to provide input into:

* certain aspects of the procurement process
* development of a standard PPA for renewable resources
* an assessment of the resource base for future procurements.

## General Guidelines

PSEG Long Island reserves the right to make changes to this RFI by issuance of one or more addenda or amendments and to distribute additional clarifying or supporting information relating thereto, which will be posted on the PSEGLI website. PSEG Long Island may ask any or all Respondents to elaborate or clarify specific points or portions of their submission. Clarification may take the form of written responses to questions or phone calls or in-person meetings for the purpose of discussing the RFI, the responses thereto, or both.

In order to better understand the substance and origin of a Respondent’s recommendation PSEGLI will require all Respondents to state their respective Company / Organization affiliation, relevant experience in bidding into PSEGLI or LIPA renewable projects and experience in financing and developing renewable projects in general. More details can be found in Section 2.1.

This RFI shall not be construed to create an obligation on the part of PSEG Long Island or LIPA to enter into any contract, to serve as a basis for any claim whatsoever for reimbursement of costs for efforts expended by Respondent firms

PSEG Long Island shall not be obligated by any responses or by any statements or representations, whether oral or written, that may be made by PSEG Long Island or its employees, principals or agent.

Any information the Respondent provides to PSEGLI that it deems to be confidential under the Freedom of Information Law (FOIL), should be marked as confidential in the response. A Confidentiality and Non-Disclosure Agreement (NDA) can be provided if necessary.

## RFI Schedule

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| **Activity** | **Date** |
| RFI Issuance | August 17, 2015 |
| Last day to submit Clarifying Questions | September 14, 2015, 5 PM EDT |
| Target PSEGLI response to Questions | September 18, 2015 |
| RFI Response Submission Deadline | September 30, 2015, 11 PM EDT |
| Issuance of RFP (Planned) | 4th Quarter, 2015 |

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# Recommendations Requirements

The sub-sections below outline the requirements for responses to the RFI, which were developed so that responses received would be in a similar format that would facilitate a high-quality and timely evaluation. Topics for Discussion and Recommendations sought from the Respondents are included in Appendix A. The sample form of Power Purchase Agreement (Sample PPA) for a LIPA Renewable RFP and a preliminary Sample of the 2015 Renewable RFP (Sample RFP) are available on the RFI website. The Sample PPA and RFP may change significantly prior to the planned issuance of an RFP in the 4th quarter of 2015. This is an RFI for information purposes only and should not be construed as the final timing, scope, etc... of an RFP to be issued and developers should not pre-suppose or prepare proposals prior to issuance of the RFP. Responses to this RFI may consist of the following documents:

1. Written response containing the sections outlined below
2. A redline of the Sample form of Power Purchase Agreement
3. A redline of the Sample 2015 Renewable RFP

If necessary, additional information may be included in other attachments.



## Executive Summary

Respondents should provide a summary of their recommendations.

## Professional Background and Experience with the Recommendations

Respondents should describe their Industry Experience in the following areas:

1. Respondents should provide a brief outline of their Company, leadership, financial position and the services offered.
2. Highlight where you have performed industry specific work that is similar in nature and relevant to the RFP enhancement recommendations requirements with particular emphasis on implementation of the recommendation at other utilities, large municipals, co-ops, or any other applicable facilities. Industry trade groups should provide similar information about the membership of the organization.
3. Relevant project experience. Industry trade groups should provide similar information about the membership of the organization.

## Recommendations

Respondents may choose to address only a subset of the topics identified in Appendix A. Each recommendation should be identified separately. For each recommendation provide the following:

1. Recommendations description
2. Recommendation Topic. Identify the topic letter and question numbers being addressed (See list of topics in Appendix A)
3. Describe whether the Recommendation in effect elsewhere and successful, tested and proven or innovative?
4. When applicable, Respondents should address any estimated costs associated with implementing the proposed recommendation, including customer and utility costs, as well as any other relevant costs. Respondents should also describe in detail non-energy benefits associated with the proposed recommendation.
5. Any other relevant information that you deem appropriate and noteworthy that supports and validates the proposed recommendation

# Instructions to Respondent

Respondents are instructed to prepare the RFI response in accordance with the instructions outlined below, with the response focused on the Professional Background and Experience of the Respondent and Recommendations. PSEGLI understands that the substance of the recommendations may vary widely. Therefore it is the intent of PSEGLI to be flexible with the format of the responses received. However, in order to facilitate high quality and timely evaluation of the recommendations it would be greatly appreciated if the Respondents could comply with the format below. Notwithstanding the above, all responses to this RFI must be submitted via the email address provided.

## RFI Response and Submittal Instructions

**Responses and supporting attachments are to be submitted in an email to:** [**2015renrfi@pseg.com**](mailto:2015renrfi@pseg.com)**. Please format the email subject line as PSEG Long Island Renewable Procurement Recommendations RFI.** Where possible, attachments should be in Microsoft Word format. If necessary, alternative standard formats such as pdf or excel may be used. PSEG Long Island will not be responsible for late, lost, illegible or misdirected submissions. Review of responses submitted to this RFI will be coordinated through the PSEG Long Island Power Markets Department and may involve other company departments and consultants as necessary. PSEG Long Island may, at its option, contact Respondents with additional questions or information requests. Additional action by PSEGLI related to this RFI is solely at PSEGLI’s option, and as such, PSEGLI has no obligation whatsoever to address questions, comments, or information requests related to this RFI after receipt of Respondents responses.

Any questions or needed clarifications concerning this RFI should be sent to[**DL-PSEGLI-2015RENRFI@pseg.com**](mailto:DL-PSEGLI-2015RENRFI@pseg.com)**.** The deadline to submit questions via email is 5:00 PM EDT on September 14, 2015. Emailed questions received after this date may not receive a response. PSEGLI will not respond to any questions received in-person, by mail, by fax, or by phone.



## Recommendation Review Approach

Recommendations proposed in response to this RFI will be reviewed by PSEG Long Island in consultation with LIPA staff. Some of the main review criteria of the responses received are listed below. This process is designed to be informative, fair and equitable, with the objective of selecting and incorporating recommendations in the RFP and/or PPA that provide the greatest overall value to the procurement process and PSEGLI customers.

Review criteria will include but not be limited to:

* **Recommendation Viability** - the extent to which the Respondents proposed recommendation would be possible from a regulatory and legal standpoint.
* **Recommendation Track Record** – the extent to which the Respondent’s proposed recommendation has been successfully implemented in the electric utility industry.
* **Recommendation Functionality** - the extent to which the proposed recommendation would enhance the overall procurement process.
* **Cost Effectiveness**- the cost effectiveness of the proposed recommendation and the cost impacts on PSEGLI customers.
* **Risk** – the extent that the proposed recommendation would impose risks upon PSEGLI, LIPA or customers
* **Environmental and Community Impacts** associated with the recommendation.
* **Timeliness**- the ability to meet PSEGLI schedule and project deployment requirements.
* **Respondent Qualifications**- the relevant experience and, when relevant, success providing these recommendations to other utilities/locations.

Respondents should note that while PSEGLI intends to review the recommendation received, it is not a guarantee that any particular recommendation will be implemented. **PSEGLI has issued this RFI for informational gathering purposes to improve the procurement process and the PPA. This RFI is not a formal solicitation**.



## RFI Response Format

* + 1. **Table of Contents**

Include a clear identification of the RFI response by section and by page number.

* + 1. **Executive Summary**

This section is for the Respondent to provide a summary of the proposed recommendations

* + 1. **Professional Background & Experience with the Proposed Recommendations**

This section is for the Respondent to provide the items outlined in Section 2.1 of the RFI.] SAME ISSUE

* + 1. **Recommendations**

This section is for the Respondent to provide the items outlined in Section 2.2 of the RFI.

# Appendix A

Topics for Discussion and Recommendation

**Form of PPA**

In past procurements a form of PPA was provided as part of the RFP and Respondents were asked to identify exceptions to the proposed PPA as part of their proposal. After selection, the proposed PPAs were negotiated with the selected Respondents and the final PPAs were approved by the LIPA Board of Trustees and the New York State Comptroller. This approach has resulted in proposals that were difficult to compare due to the wide variety of exceptions received that changed the value proposition for PSEGLI customers and extended negotiation and review time after selection that created uncertainty for developers. PSEG intends to change this process by standardizing the form of PPA prior to issuing the RFP. This would be similar to the contract process established for the feed-in tariff programs where there is a standard contract. Other than providing project specific information such as price and developer specific information, all other provisions will be standardized to a common format. Where technology specific provisions are required or alternative provisions are required to accommodate the developer’s corporate structure or financing, there will be standard contract options which may be selected. All proposers will be expected to accept the standard contract terms and may, where appropriate to the proposal, select the standard contract options for inclusion in the PPA. The expectation will be that there are no exceptions to the PPA other than the standard contract options. This approach is expected to lead to a greater standardization of PPAs, fewer negotiations, and a shorter time between selection of a proposal and the final approval of the PPA.

A Sample PPA with several contract option provisions is available on the RFI web site. Respondents are asked to identify and justify changes that they see as necessary to make the contract acceptable to developers while protecting the customers and utility. They are also asked to identify options that should be included in the contract. Ideal options would accommodate technology specific or unique developer requirements without significantly changing the value proposition to the PSEGLI customers.

1. **Contract Options**

A Sample PPA provides two options; Option 1 dealing with fuel based renewable technologies and Option 2 dealing with non-synchronous generator performance.

* + - 1. Are there recommended changes in these options appropriate?
  1. What other options are required to accommodate specific types of qualified renewable resources?
  2. What other options are required to accommodate specific developer corporate structures?
  3. What other options are required to accommodate alternative financing arrangements?
  4. Are there other options required to make the standard PPA model viable?

1. **Reducing price volatility**

One of the advantages of wind and solar based renewables is that there are no fuel costs and, as a result, fixed pricing can be bid over the entire contract period. Other resources like fuel cells and biomass renewable resources require payment for a fuel stream that may vary over time. PSEGLI is trying to obtain predictability in renewable energy pricing which will help reduce the volatility in electric rates charged to customers.

* 1. What approaches can be used to reduce the price volatility and improve price predictability of fuel-based renewable resources over term of contract?
  2. Is it feasible for a developer to propose a fuel based renewable project for a 20 year fixed price contract?
  3. If so, what is the range of premium (% increase of $/MWH) is paid for this price certainty?
  4. If it is not feasible for a 20 year contract, what time period is a fixed price contract feasible and what premium might be paid for the increased certainty?
  5. If a shorter fixed price is a preferred option, what reset mechanism can be used to provide price stability to PSEGLI customers while keeping their rates low?

1. **CO2 emissions of fuel based renewable resources**

One of the advantages of certain renewable resources is the fact that they produce no CO2 emissions and can help reduce the cost of RGGI compliance and the cost of future CO2 or greenhouse gas standards, targets or requirements. Other renewable resources produce CO2 emissions.

* 1. How should renewable resources be considered? Should renewable energy be viewed as a program whose primary purpose is to reduce greenhouse gas emissions or should renewable energy also be viewed as having other objectives such as maximizing use of domestic energy sources?
  2. Should CO2 producing renewable resources be eligible to participate in the 2015 Renewable RFP?
  3. If so, what, if any, approaches should be used to reduce or mitigate the costs and risks associated with CO2 emissions?

1. **Potential Qualifying Facility Requirements**

One potential approach mitigating the CO2 emissions from fuel based renewables is to require them to be Qualifying Facilities under the Public Utility Regulatory Policies Act of 1978 (PURPA), which among other things, would require that a minimum of 5% of the heat input be captured as useful thermal output (i.e., used in a combined heat and power (CHP) facility so that the waste heat is used to displace other CO2 emissions that would have otherwise occurred).

* 1. What is the feasibility of requiring fuel based renewable to meet the standards of a Qualifying Facility, including the 5% heat recovery QF requirement?
  2. What is the feasibility of requiring fuel-based renewables to exceed the QF requirement?
  3. If exceeding the QF requirement is feasible, what is a reasonable range of such a requirement that would be used in the RFP to maximize fuel efficiency while maintaining project feasibility?

1. **Keeping customer rates impacts low**

Experience to date with renewable energy resources is that they continue to be more costly than conventional resources. While this is likely to continue to be the case for some time, the cost premium to customers should be minimized while not assuming unreasonable risks.

* 1. Are there improvements that can be made to the standard PPA that would reduce customer rate impacts without significantly increasing utility risks?

1. **Assuring that projects can be permitted and built**

In order to achieve the objective of obtaining 400 MW of renewable energy as set out previously, the projects selected must be built. A number of provisions in sections 3.1.3, 3.1.5 and 3.3 of the Sample PPA are designed to provide incentives to the developer to complete the projects. Other provisions in section 2.3 are designed to assure that if a project is not going to be built, PSEGLI can terminate the project, procure a replacement project, and recover the cost of termination and procuring replacement resources.

* 1. Are there additional measures and/or better approaches to assuring that the project can be permitted and built at the time the resources are selected?
  2. Are there better approaches to assuring that projects that are not likely to progress can be terminated in a timely manner and allow procurement of replacement resources without incurring the risk of having to pay for both the old and the replacement projects.

1. **Guaranteeing performance of renewable resources**

In addition to projects being developed, assuring that renewable resources are sized in a manner that achieves their expected performance is equally important. If a resource is undersized and does not produce the contracted energy, renewable objectives may not be realized. Recognizing that the output of many renewable energy projects is dependent upon conditions, such as weather, outside the control of the developer and operator. Provisions in section 5.2 of the Sample PPA are designed to discourage under production. Other provisions in section 5.3 are designed to avoid paying premiums for production in excess of that assumed in calculating the contract price.

* 1. Are there additional measures and/or better provisions for discouraging production shortfalls?
  2. Are there additional measures and/or better provisions for addressing excess production?
  3. Would the provisions be different for fuel based technologies?
  4. What incentives, if any, should be offered to encourage production of energy during peak times in the summer months between the hours of 2- 6 pm?

1. **Competitive Market Development**

PSEGLI is interested in the possibility of transitioning to a more competitive market on Long Island. In this more competitive market, LIPA would contract for a smaller portion of renewables and rely upon the spot market to provide a greater share of the energy and capacity used to me PSEG Long Island customer needs. The intent of such a transition would be to use the competitive market to reduce overall customer costs.

* 1. What types of provisions might be put into the standard PPA that would allow a transition to a more competitive market?
  2. Are there any criteria that should be used to determine whether the market is ready for these options to be exercised?
  3. If these types of provisions were put into a PPA, would these result in lower costs to PSEG Long Island ratepayers?
  4. Would shorter contract terms be a viable approach to encouraging a transition to a more competitive market without increasing ratepayer costs?

1. **Other potential improvements to the standard PPA.**

RFI Respondents may suggest improvements to the PPA in detailed written recommendations that reference the page number from the Sample PPA. Alternatively, comments and edits may be made in redline format to the Microsoft Word document of the Sample PPA.

**Procurement Process**

Procurement Process topics for discussion and recommendation are listed below:

1. **Timing of the RFP and Development process**

The Sample 2015 Renewable RFP contains a schedule in Section 4. Developers should not count on this being the final RFP schedule since the starting time for this schedule may change depending on the time required to implement any changes that might be made as a result of this RFI. PSEG would like to assess whether the timing within the schedule could be improved.

* 1. Is the time provided for developing proposals to short, about right or too long?
  2. Should the timing of the webinar be adjusted?
  3. Is the time between selection and COD date adequate for the permitting, procurement and development of resources?
  4. Are there other ways to improve the schedule?

1. **Evaluation Criteria**

Evaluation criteria are discussed in section 7.0 of the Sample RFP.

* 1. Section 7.2 .2 of the Sample RFP provides a list of quantitative evaluation criteria. Are other benefits or costs that should be considered in the quantitative evaluation of renewable resource addition?
  2. Section 7.2.3 of the Sample RFP provides a list of qualitative evaluation criteria. Are other qualitative criteria that should be considered in the qualitative evaluation of renewable resource addition?
  3. Are there alternative approaches to evaluation criteria that should be considered? Is there other information that should be included Section 7.0 of the RFP that would improve the ability of Respondents to develop their proposals?

1. **Pre-Bid meetings and Webinars**

Most recent RFPs did not have a pre-bid meeting or webinar. The South Fork RFP issued in June included a pre-bid webinar to discuss the RFP with interested parties.

* 1. Are pre-bid conferences or webinars desirable and helpful to the procurement process?
  2. If helpful, is the pre-bid webinar or the pre-bid conference preferable?
  3. If you attended the South Fork RFP webinar, was ample time allocated for the webinar?
  4. If you attended the webinar, are there areas that were covered in too much detail or not enough detail?

1. **Proposal Fees**

Recent power supply RFPs, including the South Fork RFP, have used proposal fees. In the South Fork RFP pre-bid webinar the purpose of the purpose of the proposal fees was described as being to help recover the cost of running procurements, to assure that only serious contenders participate in the RFP process, and to prevent proposers from overburdening the procurement process with too many mutually exclusive proposals from the same proposer.

1. What alternatives would help accomplish the same objectives if no proposal fees were required?
2. If proposal fees were a continued requirement, what improvements could be made to the proposal fee structure while continuing to accomplish the same objectives?
3. **Other potential improvements to procurement process**
   1. What other ways can be used to improve the procurement process?

**Resource Development Potential**

The above two sections are looking for input into the development of the 2015 Renewable RFP. The following questions are intended to provide input into the development of future procurements of renewable energy resources. Additionally the New York State Energy Plan set a statewide goal to achieve by the year 2030 a 40% reduction in CO2 emissions from the year 2005 levels. Additionally the Federal Government promulgated the Clean Power Plan regulations targeting CO2 emissions. While the State and Federal initiatives are to be implemented on a statewide basis and allocation of responsibilities have yet to be determined, it is reasonable to assume that there will be some expectation for further reductions in CO2 emissions on Long Island. Renewable energy resources are likely to be a significant component of any CO2 reduction program.

1. **Long Island Renewable Resource Potential**

For the following questions please specify the type or types of renewable resources being discussed and any subcategory of the resource. (i.e. wind, on shore or photovoltaic, roof top)

* 1. As a developer are you finding limitations in the ability to finding suitable sites for renewable energy development on Long Island (or connected directly to the Long Island electric power system?
  2. What are the practical limitations to the amount of renewable resources that can be developed on Long Island?
  3. Will the total cost of renewable energy continue to drop or will site limitations or other factors cause the cost of renewable energy to increase in future procurements?
  4. If costs will rise, is there an amount of resources that might be procured with declining prices before these limitations cause prices to begin to rise.

1. **Strategic Approach to CO2 Reductions**

The CO2 Reduction targets of the State Energy Plan are very significant. While the allocation of responsibility for reductions have not been determined yet, it is likely that the Long Island Power System will be asked to contribute to some of the reductions.

1. What approaches should PSEG Long Island consider for achieving CO2 reductions?
2. To date, renewable energy resources procured by LIPA and PSEG Long Island have been significantly more expensive than energy from new conventional energy sources. What innovative and creative approaches can be used to reduce the cost impacts on renewable energy on PSEG Long Island ratepayers?
3. Recent renewable resource acquisitions by LIPA and PSEG Long Island have focused on renewable resources connected directly to the Long Island electric transmission system because the economic and environmental benefits of renewable energy production are seen locally. Do resource development constraints lead to the need to reconsider this approach?