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June 11, 2018

BY HAND DELIVERY

Luly E. Massaro, Commission Clerk
Rhode Island Public Utilities Commission
89 Jefferson Boulevard
Warwick, RI 02888

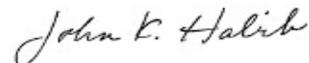
Re: Docket 4822 – In Re: The Narragansett Electric Company d/b/a National Grid’s
Solicitation of Long-Term Contracts Pursuant to R.I. Gen. Laws § 39-26.1 *et seq.*
Responses to PUC Data Requests – Set 1

Dear Ms. Massaro:

On behalf of National Grid¹, please find attached the Company’s responses to the First Set of Data Requests issued by the Rhode Island Public Utilities Commission (the Commission) on May 18, 2018 in the above referenced matter. An original and nine sets of the responses will be delivered to the Commission on Tuesday, June 12, 2018.

Thank you for your attention to matter. If you have any questions, please contact me at (617) 951-1400.

Very truly yours,



John K. Habib

¹ The Narragansett Electric Company d/b/a National Grid (the Company).

Docket No. 4822 -- National Grid – RFP for Long-Term Contracting for Renewable Energy and RECs up to 400 MW

Service List updated 4/30/18

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PUC 1-1

Request:

Pursuant to R.I. Gen. Laws § 39-26.1-4, the Company's "remuneration and incentives shall compensate the electric distribution company for accepting the financial obligation of the long-term contracts." Please indicate whether the Company intends to seek remuneration for any contracted capacity that exceeds the Company's capacity obligation of 90 MW. If yes:

- a. Please explain why the Company is authorized to receive remuneration for voluntarily accepting the financial obligation of these long-term contracts, and provide the remuneration the Company anticipates it will propose.
- b. Please identify the Company's financial obligations associated with the potential long-term contracts to be solicited under the proposed RFP.
- c. Does the Company expect to propose performance standards to which payment of remuneration would be held? If so, please explain.
- d. Does the Company expect to propose a performance standard to which a separate performance incentive would be held? If so, please explain.
- e. Will the Company include administration costs and remuneration in its evaluation of contracts for the purposes of determining if a given contract price is below forecasted market prices and whether the contract provides direct economic benefits to Rhode Island?

Response:

- a. National Grid is obligated to procure a minimum long-term contract capacity under the Long Term Contracting Standard of 90 MW (or, the equivalent of 788,400 megawatt-hours per year. As of December 30, 2017, National Grid had executed contracts for approximately 87 percent of the minimum long-term contract capacity required by the LTCS. National Grid is required by Section 5.3 of the Commission's Rules and Regulations Governing Long-Term Contracting Standards for Renewable Energy to solicit the remaining approximately 13 percent of its LTCS capacity resulting from a terminated long-term contract, which is the equivalent of approximately 94,124 MWh or 10.74 MW. Accordingly, the Company is entitled to remuneration under R.I. Gen. Laws § 39-26.1-4 for any approved LTCS capacity that it is obligated to procure.

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For any additional capacity above this obligation voluntarily procured by the Company, the Commission has the discretion to approve remuneration in the form of incentives, pursuant to its general supervisory authority over the Company and its authority to set just and reasonable rates. For example, the Commission has approved incentives for the Company through its Gas Procurement Incentive Plan to encourage the Company to reduce the risk that commodity costs will escalate dramatically. The GPIIP is designed such that the Company locks in the price of a portion of the forecasted gas purchases beginning two years prior to the month of delivery and continuing up until the month of delivery to help stabilize gas costs. The timing of a portion of these fixed-price purchases is at the discretion of the Company. The GPIIP incentive encourages the Company to look for opportunities to lock-in a fixed price on the discretionary purchases such that the average hedged costs are lower with the discretionary purchases than without. The Company's incentive varies depending on the unit cost savings of the discretionary purchases and the timing.

In addition, the Company also has a Natural Gas Portfolio Management Plan incentive. The NGPMP is an incentive which encourages the Company to maximize the savings to customers through optimization of the Company's pipeline transportation, storage and supply assets. The Company looks for opportunities to release capacity and make bundled sales using the portfolio of gas supply assets when the gas supply assets are not needed to meet the firm sales customer requirements. The Company receives a percentage of the savings when the total annual savings exceed \$2 million. The percentage share the Company receives starts at 20% for savings in excess of \$2 million, steps down to 10% for savings in excess of \$5 million, and ratchets down again to 6% for savings in excess of \$10 million.

- b. The financial obligation of a long-term contract is typically a series of fixed-payments over the duration of the contract period. As such, these are similar in nature to debt obligations. However, long-term contracts generally do not appear as financial obligations on a company's balance sheet. Nonetheless, investors would potentially view the specified fixed-payment obligations under a long-term contract as a component of financial risk.
- c. The Company does not expect to propose performance standards with regard to the payment of remuneration. The Company's compliance requirements are outlined in Section 5.1, 5.2, and 6.1 of the Commission's regulations.
- d. Please see the Company's response to part (c), above. The Company does not expect to propose a performance standard to which a separate performance incentive would be held.

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- e. The Company does not intend to include its administrative costs or remuneration in its evaluation of whether a contract price is below forecasted market prices and of whether a contract provides direct economic benefits to Rhode Island. Long-term contracts executed under the LTCS must be "Commercially reasonable," a defined term, must provide substantial direct economic benefits to Rhode Island, and may not be awarded unless the pricing under such contract(s) is "below the forecasted market price of energy and renewable-energy certificates over the term of the proposed contract, using industry standard forecasting methodologies as have been used to evaluate pricing in the past solicitation processes" reviewed by the Commission. R.I. Gen. Laws §§ 39-26.1-1 and 39-26.1-3(f); Section 4.1 of the Regulations. None of these requirements direct the Company to include its administrative costs or remuneration in its evaluation.

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PUC 1-2

Request:

R.I. Gen. Laws § 39-26.1-3(c)(1) provides that the Company may voluntarily enter into long-term contracts beyond the 90 MW capacity requirement, subject to Commission approval. Please identify the Company's justification for voluntarily exceeding the 90 MW requirement.

Response:

The Company is voluntarily considering entering into long-term contracts beyond the 90 MW capacity requirement of § 39-26.1-3(c)(1), to support Governor Gina M. Raimondo's goal of increasing Rhode Island's clean energy portfolio ten-fold by 2020 by procuring up to an additional 400 megawatts nameplate capacity of renewable energy. The Company has coordinated with the Rhode Island Office of Energy Resources and the Rhode Island Division of Public Utilities and Carriers in making this determination to voluntarily assist with this important public policy.

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PUC 1-3

Request:

Please provide the nameplate and contract capacity of all contracts that are counted toward the statutory 90 MW requirement, including contracts that were signed but were removed (such as Bowers Wind), and note any effects of changes made due to changes in capacity factors determined by ISO New England Inc. (ISO-NE). Referencing Page 2, Note 7 of the solicitation, please reconcile the 10.74 MW remaining capacity describe here with the 18.4 MW of remaining capacity and 12.9 MW of contracted capacity described on Pages 12 through 13 of the Company's witness Corinne DiDomenico's direct testimony filed in Docket No. 4764.

Response:

Please see the Long Term Contracting Standards for Renewable Energy table below used to determine the total contract capacity and the remaining 10.74 MW needed to meet the LTCS 90 MW requirement. Also below is a Terminated Project table listing the projects that were signed but eventually terminated. The Contract Capacity was calculated based on the Unit Factor and the Unit Capacity found in Attachment 1 of the November 15, 2017 Long Term Contracting for Renewable Energy Recovery Factor filing in Docket 4673. The units listed in this Attachment were for Long Term Contract projects that were commercially operational at of the time of the LTCRER filing. For those projects that were not commercially operational at that time (noted with an *), the capacity factors from the project proposals were used to calculate contract capacities. The sum of the projects not operational at the time of the November 15, 2017 LTCRER filing equals the 12.9 MW noted above.

Long-Term Contracting Standards for Renewable Energy

Project	Nameplate Capacity (MW)	Contract Capacity (MW)	% of 90MW Requirement	Cumulative % of 90MW Requirement
RI LFG Genco	32.10	22.79	25.3%	25.3%
DWW Block Island	30.00	10.80	12.0%	37.3%
Orbit Energy	3.20	2.60	2.9%	40.2%
Black Bear Hydro	3.96	2.97	3.3%	43.5%
Copenhagen	80.00	23.70	26.3%	69.8%

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WED NK Green LLC	1.50	0.32	0.4%	70.2%
ConEd Dev Plain Mtg House	2.00	0.28	0.3%	70.5%
ACP Land LLC 28 Jacome Way	0.50	0.07	0.1%	70.6%
Comtram Cable	0.50	0.07	0.1%	70.7%
CCI New England 500 kW	0.50	0.07	0.1%	70.7%
Conanicut Marine Services Solar	0.13	0.02	0.0%	70.8%
West Davisville Solar	2.34	0.33	0.4%	71.1%
Forbes Street Solar	3.71	0.52	0.6%	71.7%
CCI New England 181 kW	0.18	0.03	0.0%	71.7%
100 Dupont Solar	1.50	0.21	0.2%	72.0%
225 Dupont Solar	0.30	0.04	0.0%	72.0%
35 Martin Solar	0.50	0.07	0.1%	72.1%
0 Martin Solar	0.50	0.07	0.1%	72.2%
Gannon & Scott Solar	0.41	0.06	0.1%	72.2%
All American Foods Solar	0.33	0.05	0.1%	72.3%
Brickle Group Solar Project	1.08	0.15	0.2%	72.4%
T.E.A.M. Inc. Solar	0.18	0.03	0.0%	72.5%
Newport Vineyards Solar	0.05	0.01	0.0%	72.5%
SER Solar 23 Appian Way	0.05	0.01	0.0%	72.5%
Nexamp 76 Stilson Rd.	0.50	0.07	0.1%	72.6%
Randall Steere Farm	0.09	0.01	0.0%	72.6%

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Johnston Solar	1.70	0.24	0.3%	72.8%	
N. Kingstown Solar 1720 Davisville Rd.	0.50	0.07	0.1%	72.9%	
Wilco 260 South County Trail	1.25	0.17	0.2%	73.1%	
Foster Solar	1.25	0.18	0.2%	73.3%	
Brookside Equestrian Center	1.25	0.17	0.2%	73.5%	
200 Frenchtown Road Solar	1.25	0.18	0.2%	73.7%	
Ranger Sanford*	3.70	0.75	0.8%	74.5%	#1
Ranger Chinook*	2.25	0.44	0.5%	75.0%	#1
Ranger Farmington*	3.70	0.65	0.7%	75.7%	#1
Ranger Quinebaug*	3.70	0.73	0.8%	76.6%	#1
Cassadaga*	18.90	8.13	9.0%	85.6%	#1
RES Woods Hill*	1.50	0.28	0.3%	85.9%	#1
RES Hope*	5.00	0.97	1.1%	87.0%	#1
RES Scituate*	5.00	0.97	1.1%	88.1%	#1
Total:	217.06	79.26			

Remaining Contract Capacity: 10.74 MW

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Terminated Projects

Project	Nameplate Capacity (MW)	Contract Capacity (MW)
Champlain Wind Bowers	48.0	18.2
Westerly Power I	1.00	0.14
87 Woodville Alton	0.50	0.07
45 Bank Solar	0.50	0.07
Bonollo's Solar	0.15	0.02
Foster Solar - 23 Theodore Foster Drive	1.25	0.18
WED Coventry One	1.50	0.36
48 Bank Street Solar	0.50	0.07
RSM Solar 166 Valley Street	0.15	0.02
60 Valley Street Solar	0.11	0.02
Bella 574 Camp Ave	0.50	0.07
Glocester-Reichert - 212 Old Snake Hill Rd	0.90	0.13
116 Singleton Street Solar	0.50	0.07
240 Bald Hill Rd Solar	0.27	0.04
Bella 1600 Division Rd	1.30	0.18
Windy Acres Solar Farm	1.24	0.17
1000 Division Street Solar	0.50	0.07
380 Warwick Ave Solar	0.17	0.02
555 Veazie Street Solar	0.50	0.07

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WED Coventry Three	1.50	0.36
WED Coventry Four	1.50	0.36
WED Coventry One	1.50	0.36
Smart Technologies 22 Christiansen Way	1.04	0.15
North Kingstown Organic Energy	0.50	0.43
Total:	65.58	21.58

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PUC 1-4

Request:

Please explain why the proposed RFP is in the public interest.

Response:

The RFP is in the public interest because it is aimed at supporting Governor Gina M. Raimondo's goal of increasing Rhode Island's clean energy portfolio ten-fold by 2020 by procuring up to an additional 400 megawatts nameplate capacity of renewable energy. In addition, it should be noted that the RFP does not require the Company to procure an additional 400 MW of nameplate capacity in isolation from other voluntary efforts the Company may pursue toward the Governor's renewable energy goal (e.g., the recently announced agreement to procure 400 MW of offshore wind). The RFP is flexible in that, although the Company is soliciting bids for up to 400 MW of nameplate capacity, it allows the Company to procure less than 400 MW, notwithstanding the additional capacity required to be procured by the Company to meet its requirements under the Long-Term Contracting Standard for Renewable Energy.

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PUC 1-5

Request:

Referencing Page 1, Section 1.1, of the solicitation, by what standard does the Company understand Governor Raimondo's goal of increasing Rhode Island's clean energy portfolio to be measured against? In other words, what activities or resources count toward the Governor's goal, and what is the status of progress toward that goal?

Response:

The Governor's goal of increasing Rhode Island's clean energy portfolio appears broad enough to cover many different types of clean energy, including long-term contracts for renewable energy and hydropower, or increased renewable distributed generation, among other clean energy technologies.

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PUC 1-6

Request:

Why did the Company select 400 MW as the limit for this RFP? Why did the Company select 20 MW as a minimum project size? Why is the Company seeking to execute this solicitation now? If 400 MW are not procured, will the Company continue annual solicitations until 400 MW are procured? Will the Company continue annual solicitations until the Governor's goal is reached?

Response:

The Company coordinated with the Rhode Island Office of Energy Resources and the Rhode Island Division of Public Utilities and Carriers in making the determination to voluntarily seek up to 400 MW of capacity in this solicitation. After bid selections were made in the recent Massachusetts clean energy procurement, the Company, OER, and the Division believed that there could be many renewable energy projects ready for a new solicitation opportunity. The Company determined that 20 MW of capacity is a reasonable minimum project size, based on its experience in the three-state solicitation and the recent clean energy solicitation in Massachusetts, which have shown that establishing a minimum 20 MW project will likely result in a commercially reasonable bid.

If 400 MW are not procured through this RFP, the Company will continue to coordinate with the OER and Division to determine if additional solicitations are desirable. Given Narragansett's recent announcement to negotiate a contract for 400 MW of off-shore wind pursuant to the Affordable Clean Energy Security Act, to the extent a contract is successfully negotiated and approved, that project will represent a significant step toward meeting the Governor's 1,000 MW goal which may influence the total MW procured in the RFP and/or future solicitations, if any.

PUC 1-7

Request:

What other options did the Company consider for achieving the Governor's goal of increasing Rhode Island's clean energy portfolio? Before a decision is made to execute a contract and submit the executed contracts for PUC review, will the Company consider these alternatives and their relative cost-effectiveness compared to each individual contract that the Company plans to execute?

Response:

At the time of Governor Gina M. Raimondo's announcement and subsequent to it, the Company did consider a variety of means to help meet her goal of increasing the state's clean energy resources to 1,000 megawatts by 2020. Specifically, other than the RFP for renewable energy, the Company considered the following items, which were included or excluded from the strategy to meet the Governor's goal for the reasons stated below:

- 1) Increase distributed generation through the Renewable Energy Growth program: This was considered, but was not deemed to be sufficiently additive because the program already provided capacity to 2019, and the expansion of the program approved last year has added capacity in subsequent years out to 2029, but not during the already authorized program years of 2018-19, and only continued the same level of capacity (40 MW per year) in 2020.
- 2) Increase utility-scale renewables through direct utility investment and ownership: While direct ownership would be more cost-beneficial for customers on net cost terms over the life of such projects, the Company determined that it did not have the statutory authority to own a substantial amount of such resources, and any change in this authority and subsequent procurement process would not be able to help meet the Governor's goal within the timeframe sought.
- 3) Consider capacity from regional clean and renewable energy procurements: The Company has sought to include Rhode Island in the consideration of proposals in the clean energy procurements conducted in Massachusetts, pursuant to Sections 83C and 83D of the Green Communities Act. Massachusetts did not invite Rhode Island's participation in the Section 83D clean energy solicitation, but it did invite Rhode Island's participation in the Section 83C solicitation for offshore wind energy, and contract negotiations between the Company and Deepwater Wind have recently begun. The Company expects that any resulting contract for 400 MW of offshore wind would count towards the Governor's goal, and may meet the Governor's timeframe.

For the reasons stated above, options # 1 and # 2 will not help further the Governor's goal. While the offshore wind contract in option # 3 would count towards the Governor's goal, it is in

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the early stages, and it could complement the results of the draft RFP in terms of meeting the goal of 1,000 MW of clean energy.

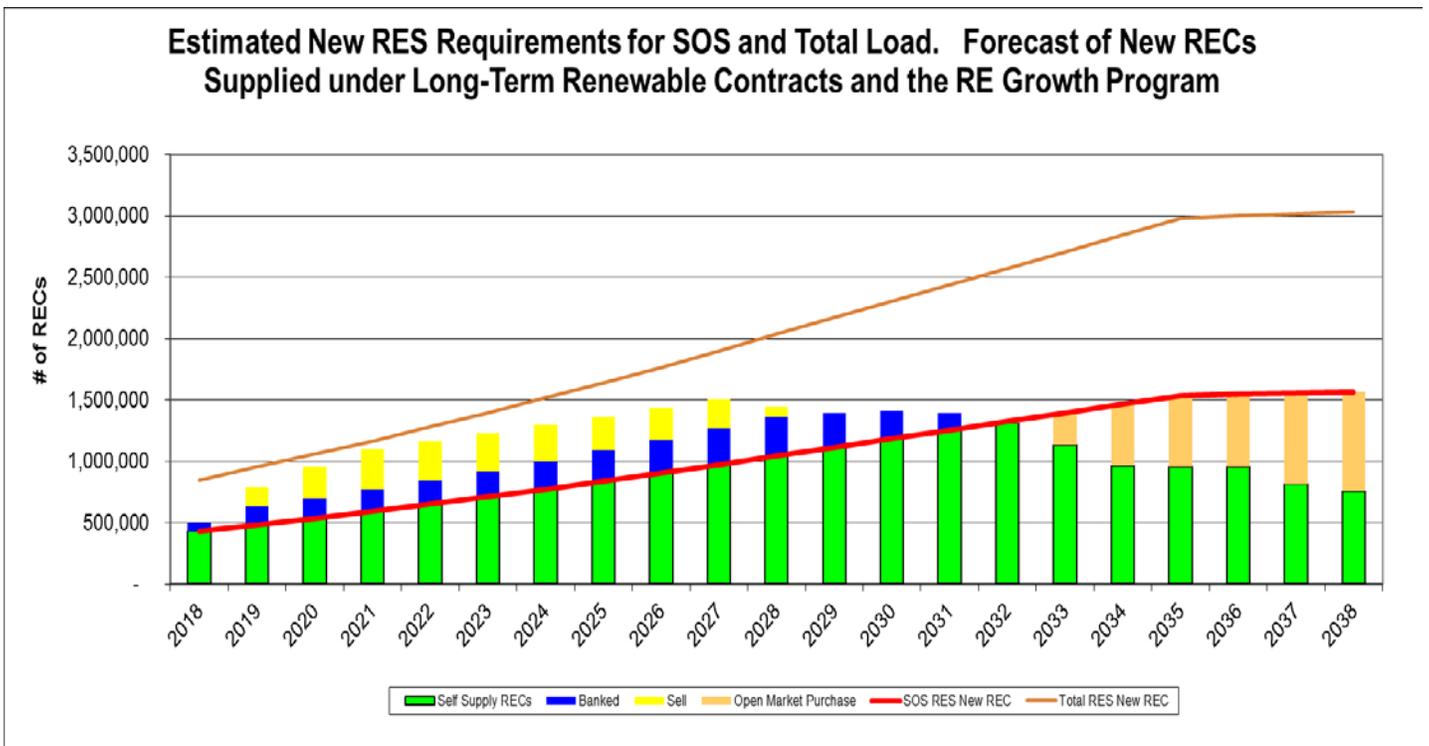
PUC 1-8

Request:

Does the Company expect to face a shortage of RECs for the purposes of complying with the Renewable Energy Standard on behalf of the Company's energy supply customers (Standard Offer Service customers)? Does the Company have a projection of a deficit, equilibrium, or oversupply of RECs for Standard Offer Service customers?

Response:

The 2019 Renewable Energy Standard Procurement Plan includes a projection of the New RES requirement for the Standard Offer Service customers compared to the estimated output of Renewable Energy Certificates obtained through the Distributed Generation Standard Contracts Act and the Long-Term Contracting Standard for Renewable Energy and the Renewable Energy Growth Program. This graph has been updated to include a projection of the New RES requirement for all of the Company's customers.



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The Company projects that the RECs obtained from the Long-Term Renewable Contracts and RE Growth Program will fully satisfy the New RES requirement for its SOS customers through 2031. The Company may bank 30% of the New RES Obligation for a compliance year to satisfy its SOS customers' RES requirement over the following two years. Once the RECs from Long-Term Renewable Contracts and RE Growth Program exceed the SOS customers' RES obligation as well as the allowable banking limit, the Company must sell these RECs or they will expire with no value. From 2019 through 2028, the Company projects that it will sell RECs obtained from the Long-Term Renewable Contracts and RE Growth Program.

Starting in 2032, the Company will not be able to fully satisfy the New RES requirements for its SOS customers with RECs obtained from the Long-Term Renewable Contracts and RE Growth Program. The Company will comply with the New RES requirements by purchasing RECs pursuant to PUC-approved RES Procurement Plans. The REC forecast provided in this response includes expected RECs from executed contracts signed to date.

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PUC 1-9

Request:

Does the Company plan to retire the RECs procured in the contracts on behalf of any of its customers, including Standard Offer Service customers? Does the Company plan to use the energy from any executed contracts as part of its Standard Offer Service portfolio?

Response:

The Company will retire the Renewable Energy Certificates used to comply with the New Renewable Energy Standard requirement for its Standard Offer Service (SOS) customers. The Company may bank 30% of the New RES Obligation for a compliance year to satisfy its SOS customers' RES requirement over the following two years. Once the RECs received exceed the SOS customers' RES obligation as well as the allowable banking limit, the Company must sell these RECs or they will expire with no value. Therefore, the Company will not retire RECs that are in excess of the New RES requirements for its SOS customers and its banking limit. The purchaser of the RECs will retire the RECs to comply with the purchaser's renewable requirements (which may be for a different state).

The Company does not use energy obtained from the Distributed Generation Standard Contracts Act and the Long-Term Contracting Standard for Renewable Energy in its SOS portfolio. The SOS portfolio is comprised mostly of Full Requirements Service contracts and limited spot market purchases. The Company utilizes Full Requirements Service contracts because it insulates SOS customers from load and price volatility. Because of these benefits the Company anticipates future SOS Procurement Plans will include Full Requirements Service contracts.

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PUC 1-10

Request:

In the case that the Company plans to comply with the statutory minimum annual percentages required by the Renewable Energy Standard, and accordingly plans to sell any excess RECs from executed contracts into the market, please explain how such activity makes Rhode Island's energy system cleaner.

Response:

The Company's response to PUC 1-8 includes a graph of the New Renewable Energy Standard requirements for all customers and for the Standard Offer Service customers compared to the estimated output of Renewable Energy Certificates obtained through the Distributed Generation Standard Contracts Act and the Long-Term Contracting Standard for Renewable Energy and the Renewable Energy Growth Program.

While the Company projects that the RECs obtained from the Long-Term Renewable Contracts and RE Growth Program will fully satisfy the New RES requirement for its SOS customers through 2031, the RECs do not exceed the total New RES requirements for all Rhode Island customers. The Company will sell the RECs that exceed the New RES requirements of its SOS customers and those RECs may be purchased and used by Non-regulated Power Producers to comply with their New RES requirements. In such an instance, those RECs are retired to comply with the Rhode Island RES.

It is possible that NPPs do not buy the RECs from the Company but instead purchase RECs generated in other states to comply with the RES. Certain RECs are fungible because they are able to comply with more than one state's renewable portfolio standard. If NPPs purchase RECs from other states to comply with the RES, the Company will sell its RECs to load serving entities in other states to comply with those states' renewable portfolio standards. Because these RECs are mutually interchangeable, it would be as if the Company's RECs were used to satisfy the Rhode Island RES.

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PUC 1-11

Request:

Is there any statute or rule that prohibits the Company from seeking market or contract purchases of RECs, on behalf of ratepayers to meet state policy goals, above the statutory minimum described in the Renewable Energy Standard? If so, please explain why any such statute or rule does not prevent Pascoag Utility District (PUD) or Block Island Power Company (BIPCO) from participating in the RFP, in consideration of PUD's and BIPCO's exemption from both R.I. Gen. Laws §39-26 (Renewable Energy Standard) and R.I. Gen. Laws §39-26.1 (Long-Term Contracting Standard for Renewable Energy).

Response:

The Company is not aware of a statute or rule that prohibits the Company from seeking market or contract purchases of RECs above the statutory minimum described in the Renewable Energy Standard.

The objectives of the Company's REC purchases are to comply with the Renewable Energy Standard in a manner that is consistent with least-cost procurement.¹ The Company does not view REC purchases in excess of the minimum RES obligations as cost-effective for its Standard Offer Service (SOS) customers.

Also, voluntary REC purchases above the minimum RES obligations will disrupt competition in the retail market. The Company's SOS rates would be higher as a result of the voluntary REC purchases which may lead to increased customer migration to Non-regulated Power Producers. SOS suppliers may incorporate higher migration risk premiums in their SOS bids to mitigate this risk of increased customer migration. Therefore, SOS rates may increase because of both voluntary REC purchases and increased migration risk.

¹ See R.I. Gen. Laws § 39-1-27.7 ("Least-cost procurement shall comprise system reliability and energy efficiency and conservation procurement . . . and supply procurement as provided for in § 39-1-27.8, as complementary but distinct activities that have as common purpose meeting electrical and natural gas energy needs in Rhode Island, in a manner that is optimally cost-effective, reliable, prudent and environmentally responsible.").

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PUC 1-12

Request:

Did the Company evaluate the costs and benefits of speeding up the interconnection of projects in the interconnection queue as an alternative for meeting renewable energy policy goals?

Response:

The Company has not evaluated the costs of benefits of speeding up the interconnection of projects in the interconnection queue as an alternative for meeting renewable energy policy goals. However, the Company has proposed investments in Dkt. 4770 and Dkt. 4780 that are aimed at facilitating the Company's review of interconnection applications and construction of system modifications. These investments are not a *per se* alternative to meeting renewable energy policy goals through long-term renewable contracts, but are part of a suite of efforts the Company has proposed to undertake toward power sector transformation and facilitating Rhode Island's public policies supporting clean energy.

PUC 1-13

Request:

Does the Company's proposed RFP compete with, or is consistent with, the goals/vision of Docket No. 4780, Proposed Power Sector Transformation ("PST) Vision and Implementation Plan? Please explain your answer.

Response:

The Company's proposed RFP is intended to be consistent with the Governor's goal for 1,000 megawatts of clean energy for Rhode Island. However, as referenced in the Company's response to data request PUC 1-12, the RFP is one part of meeting that goal, and other efforts, including efforts to support the state's PST goals, may also meet the same end.

There are eight distinct goals for the electric system that the Commission adopted in Docket No. 4600 regarding PST:

- (1) Provide reliable, safe, clean, and affordable energy to Rhode Island customers over the long term (this applies to all energy use, not just regulated fuels);
- (2) Strengthen the Rhode Island economy, support economic competitiveness, retain and create jobs by optimizing the benefits of a modern grid and attaining appropriate rate design structures;
- (3) Address the challenge of climate change and other forms of pollution;
- (4) Prioritize and facilitate increasing customer investment in their facilities (efficiency, distributed generation, storage, responsive demand, and the electrification of vehicles and heating) where that investment provides recognizable net benefits;
- (5) Appropriately compensate distributed energy resources for the value they provide to the electricity system, customers, and society;
- (6) Appropriately charge customers for the cost they impose on the grid;
- (7) Appropriately compensate the distribution utility for the services it provides; and
- (8) Align distribution utility, customer, and policy objectives and interests through the regulatory framework, including rate design, cost recovery, and incentives.

The RFP, and more specifically any contracts executed pursuant to the RFP, are clearly consistent with goals (1), (2), (3), (7) and (8), neutral toward goals (4) and (6), and separate from goal (5). Regarding goal (1), contracts executed as a result of the RFP, both by definition and the standards for approval of such contracts, will provide reliable, safe, clean and affordable

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energy to Rhode Island customers over the long term. Regarding goal (2), such contracts must provide direct economic benefits to the state of Rhode Island, such as job creation, increased property tax revenues or other similar reviews (see Commission LTCS Regulations, Section 5.2). Regarding goal (3), such contracts will address the challenge of climate change and other forms of pollution given that they will procure renewable energy on behalf of Rhode Island customers. Regarding goal (7), the opportunity for remuneration and/or incentives, as well as contract cost recovery, associated with such contracts will appropriately compensate Narragansett for executing renewable energy contracts. Finally, regarding goal (8), as noted in response to data request PUC-1-1, the opportunity for remuneration and/or incentives associated with such contracts will align Company, customer and policy objectives through the regulatory framework governing implementation of the LTCS.

PUC 1-14

Request:

Regarding the products that the Company will seek in the long-term contracts:

- a. Please provide the Company's assessment of why a project sponsor would forgo market earnings for these products and accept a long term, contracted price that is below market forecasts.
- b. What risks does the Company bear for contracting for these products? How do these risks compare to any remuneration and/or performance incentive the Company seeks?
- c. What risks do these products present to ratepayers? Will the Company consider these risks in evaluating proposals? What, if any, information will the Company collect from bidders to evaluate risks to ratepayers? How will the Company evaluate if the level of these risks is appropriate compared to the anticipated net benefits of the contracts, inclusive of all costs associated with the contracts such as National Grid's administration costs and proposed remuneration and/or incentives?
- d. Referencing the language of R.I. Gen Laws § 39-26.1-3(f), do "industry standard forecasting methodologies" typically include risk evaluation or sensitivity analyses regarding the performance of these products? If so, how will the Company include such evaluations or analyses in its review of bids?
- e. What discount rates will the Company use to evaluate the market value and other costs and benefits of the contracts? If the Company only plans to use one discount rate, please explain why this discount rate is appropriate, and why a range of discount rates should not be used for evaluation.
- f. How, if at all, will the evaluation team consider recent and significant changes in the wholesale market, current filings made by ISO-NE regarding wholesale market actions or changes, and proposed changes to wholesale market changes made by ISO-NE?
- g. How, if at all, will the evaluation team consider the effects on the wholesale market of Rhode Island meeting state policy goals for the distribution system?
- h. Will the forecasting model take into account the time of day and year and delivery point of the energy?

Response:

- a. A project sponsor might decide to forgo market earnings for these products and accept a long-term, contracted price that is below market forecasts in order to hedge, or limit its exposure to potentially lower and/or more volatile market prices which could prevent the recovery and/or return on its investment. Actual wholesale market energy prices over a long term can differ significantly from prior market forecasts. Even if a price forecast for a certain term is proven correct on average, extreme and unpredictable levels of price volatility during that term could still occur and significantly affect the stability of revenue streams available to market participants. Thus, understandably, a project sponsor is often willing to give up some potential for higher wholesale market prices in exchange for a more stable, locked-in price provided through a long-term contract, as long as the price it at or above the level the sponsor expects to be sufficient for it to earn its desired return on its investment.
- b. Please see the Company's responses to data requests PUC 1-1(a), (b), and (c).
- c. There is limited price risk to customers. However, consistent with R.I. Gen. Laws §39-26.1-3(f), no contract(s) shall be awarded unless the pricing under such contract(s) is below the forecasted market price of energy and Renewable Energy Certificates over the term of the proposed contract. The Company plans to perform such analyses using energy and REC prices proposed from the bidders per the staged evaluation process described in sections 2.2 through 2.4 of the Request for Proposals.
- d. The analysis of the bids is based on a two component methodology that incorporates both detailed quantitative analyses that incorporate industry standard mathematical simulation modeling techniques. The cloud-based Security Constrained Unit Commitment / Security Constrained Dispatch system, ENELYTIX, will be used to model the economic and physical operation of the proposed project within ISO NE. The analysis will model the locational value of the project on an hourly basis extending through the operational time frame of the proposed project. The quantitative evaluation is focused on development of both a base case (but-for case) as a point of comparison and the project case. Phase two also includes a qualitative evaluation in which multiple project risks are evaluated. The third stage builds on the information of stage two and provides for additional consideration of sensitivities and risks. Depending upon issues identified in stage three, additional sensitivity quantitative runs may be undertaken to evaluate the impact of exogenous variables such as natural gas prices and financial parameters.
- e. At this point, National Grid plans to use The Narragansett Electric Company's current Weighted Average Cost of Capital. The Company acknowledges its recent three-year settlement agreement filing with the Rhode Island Division of Public Utilities and

Carriers. As such, National Grid will use The Narragansett Electric Company's Weighted Average Cost of Capital, as approved by the Public Utilities Commission and in effect at the time of the evaluation of project proposals.

- f. The evaluation team will give full and appropriate consideration of any market changes, whether recently added or proposed, in its attempt to ensure a proper and fair evaluation of all proposals. The evaluation will be primarily focused on projects' participation in the ISO-NE wholesale energy market and the resulting effects on that market. No significant changes to the energy market are proposed at this time. However, the evaluation team and its consultant intend to ensure the energy production model accurately reflects the existing ISO-NE energy dispatch and pricing rules, and will make any adjustments necessary to account for any changes to such rules. The evaluation team is aware of other expected rule changes, such as those for the capacity market in order to implement the Competitive Auctions with Sponsored Policy Resources proposal recently approved by FERC, and those associated with an ISO-NE waiver request currently before FERC seeking the ability to retain certain capacity resources under cost of service agreements as a temporary solution to address winter fuel security concerns. These changes are not expected to require significant changes to the quantitative evaluation, but may require some additional consideration by the evaluation team as to their effect, for example, on particular capacity resources which the model might otherwise assume to retire during the evaluation period.
- g. The evaluation team does not intend to consider the effects on the wholesale market of Rhode Island meeting state policy goals for the distribution system.
- h. The forecasting model, ENELYTIX, is a nodal security-constrained unit commitment / security-constrained dispatch modeling system that will calculate the Locational Marginal Price for all generator nodes (including the proposed project node) in ISO NE. It will do so hourly for the proposed lifetime of the project.

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PUC 1-15

Request:

Please list any contracts executed by the Company pursuant to R.I. Gen Laws § 39-26.1 that include the purchase of capacity products.

Response:

1. Rhode Island LFG Genco, LLC
2. Black Bear Orono "B" Hydroelectric
3. Block Island Wind Farm
4. Orbit Energy Biogas
5. Copenhagen Wind Farm
6. North Kingstown Green
7. 28 Jacome Way
8. Plain Meeting House Power
9. Comtram Cable Plant
10. CMS Solar
11. CCI New England 500kW
12. West Davisville Solar
13. Forbes Street Solar
14. CCI New England 181kW
15. 100 Dupont Solar
16. 225 Dupont Solar
17. 0 Martin Solar
18. 35 Martin Solar
19. Gannon & Scott Solar
20. All American Foods Solar
21. Brickle Group Solar Project
22. T.E.A.M. Inc. Solar
23. Newport Vineyards Solar
24. SER Solar 23 Appian Way
25. Nexamp 76 Stilson Rd
26. Randall Steere Farm
27. Johnston Solar I
28. North Kingstown Solar 1720 Davisville Rd
29. Wilco 260 South County Trail
30. Foster Solar - 23 Theodore Foster Drive
31. Brookside Equestrian Center - 90 Tiffit Rd
32. 200 Frenchtown Road Solar

PUC 1-16

Request:

Please identify all changes between the proposed solicitation in this docket and the solicitation approved by the PUC in Docket No. 4491. If available, please provide a redlined version.

Response:

A red-lined version of changes between the RFP issued in 2014 and the draft RFP is provided as Attachment PUC 1-16. Aside from formatting changes, condensing, moving or clarifying text, and adding citations, some key changes between the RFP issued in 2014 and the draft RFP include:

- Removal of capacity products from eligible products;
- Inclusion of Governor Gina M. Raimondo's clean energy goals for Rhode Island;
- Contemplation of the Pascoag Utility District and the Block Island Power Company being invited to purchase a portion of the energy and Renewable Energy Certificates from any selected project;
- Updated information on the Company's remaining obligation under the LTCS;
- Clarification that the evaluation of bids will be conducted by National Grid, in consultation with OER and the Division;
- Establishment of an eligibility requirement that a project or a portion of a project's capacity bid in response to this RFP must equal at least 20 MW;
- Potential flexibility around project milestones, if reasonable;
- Greater specificity on site control and interconnection requirements;
- Changes to the calculation of project security deposits;
- Changes to pricing requirements;
- Contemplation of projects outside the ISO-New England Inc. control area;
- Inclusion of a draft PPA for bidders to mark up, and other forms and appendices;
- Inclusion of bid fees to offset the cost to ratepayers of the solicitation process;
- Additional categories in the non-price evaluation;
- Additional disclosures to bidders about the Company's right not to move forward, and reasons why it may not;
- An updated schedule for the solicitation process;
- Elimination of paper copies of bids in favor of electronic copies only;
- Additional information and caveats for bidders about distinguishing between confidential and non-confidential information and possible outcomes;
- Updated website and contact information; and
- Caveats about future modification or cancellation of the RFP, and information requests to bidders.

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The draft RFP is the result of several weeks of collaboration between the Company and representatives of the Office of Energy Resources and the Division of Public Utilities and Carriers.

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REQUEST FOR PROPOSALS

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FOR

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LONG-TERM CONTRACTS FOR RENEWABLE ENERGY- PROJECTS

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Issuance Date:

~~July 1, 2014~~

August 20, 2018

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The Narragansett Electric Company d/b/a National Grid's
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I. Introduction and Overview

1.1 Purpose of the Request for Proposals (“RFP”)

The Narragansett Electric Company d/b/a National Grid (“National Grid” or “Company”), an investor-owned electric distribution company serving customers in the State of Rhode Island, is seeking proposals for the supply of electric capacity and energy and as well as Renewable Energy Certificates and related attributes (including Certificates issued in the New England Power Pool Generation Information System)¹ (collectively, “RECs”) from eligible renewable energy projects under one or more long-term power purchase agreements (“PPAs” and individually a “PPA”). This RFP is being issued pursuant to Chapter 26.1 of Title 39 of the Rhode Island General Laws, entitled the Long-Term Contracting Standard for Renewable Energy (the “Long-Term Contracting Standard”). In addition, National Grid is issuing this RFP LTCS”) and in accordance with regulations (the “Rules and Regulations”) Governing Long-Term Contracting Standards for Renewable Energy,” promulgated under Chapter 26.1 by the Rhode Island Public Utilities Commission (“PUC”), which became effective January 28, 2010.”² The LTCS and the Regulations are included as Appendix C to this RFP.

In addition to satisfying its obligations under the LTCS, National Grid is issuing this RFP to support Governor Gina M. Raimondo’s goal of increasing Rhode Island’s clean energy portfolio ten-fold by 2020 by procuring up to an additional 400 megawatts (“MW”) nameplate capacity of renewable energy.³ Accordingly, National Grid may, but is not required to, select up to 400 MW of renewable energy projects through this RFP if they meet the requirements of the LTCS, subject to PUC approval. See R.I. Gen. Laws §§ 39-26.1-3(a) and (c)(1). Also, in furtherance of Governor Raimondo’s goal to include other Rhode Island utilities in this solicitation, the Pascoag Utility District (“PUD”) and the Block Island Power Company (“BIPCo”) may be invited by National Grid to purchase a portion of the energy and RECs from any selected project(s).⁴

In this RFP, National Grid is soliciting capacity, energy and RECs from renewable energy capacity resources with a nameplate capacity of at least 20 MW each, pursuant to executed PPAs with durations of 10- to 15 years. As of December 30, 2013, National Grid has executed contracts for approximately seventy five percent (75 %) of the 90 MW minimum long term contract capacity.⁵ As

¹ Such RECs include Certificates issued in the New England Power Pool Generation Information System.

² The LTCS and the PUC’s authority to promulgate the Regulations can be found in R.I. Gen. Laws § 39-26.1-5(e) (the “Regulations”). The Regulations became effective January 28, 2010.

³ See Governor Gina M. Raimondo Press Release of February 5, 2018, “Raimondo Touts Goal to Make Energy System 10 Times Cleaner: Directs State Energy Team to Work with Utilities to Procure 400MW of Affordable, Clean Energy.” available at: <http://www.ri.gov/press/view/32439>.

⁴ After any project(s) have been selected by National Grid for PPAs, PUD and BIPCo may be allocated a portion of the energy and REC purchases based on their relative load shares, provided that such purchases are specifically authorized by PUD and BIPCo as being in the best interest of their ratepayers, and that such purchases are projected to reduce or have no effect on the cost to National Grid’s customers.

⁵ Long-term contract durations may exceed 15 years, upon approval of the PUC. R.I. Gen. Laws § 39-26.1-3(a). For more details, please refer to Section 2.2.2.4, “Allowable Contract Term.”

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~~explained in Section 1.2, the law states that LTCS requires National Grid is not required to enter into solicit long-term contracts in excess of the remaining twenty-five percent (25%) of the for a minimum amount of long-term contract capacity required under the Long Term Contracting Standard or 22.5⁴ MW in this solicitation, but may do so, and National Grid may enter into long-term contracts for more capacity, voluntarily, subject to PUC approval.² Theas long as such contracts also meet the LTCS requirements. Specifically, to be selected, bids must be “commercially reasonable,” and pricing under such contract(s) must be below the forecasted market price of energy and RECs over the term of the proposed contract. More information and details about the LTCS obligation and its requirements are described in Section 1.2, below.~~

~~This RFP includes draft contracts for Clean Energy Generation (“Draft Contracts”) as Appendix D, and the terms of any PPAs will be finalized between National Grid and successful bidders based on the bids proposals submitted and selected in accordance with the process set forth in this RFP.³ The fundamental purpose of the This RFP is to satisfy the policy directives encompassed within the Long Term Contracting Standard, which require outlines the process that National Grid plans to follow, sets forth timetables regarding the solicitation process, provides information and instructions to seek to develop prospective bidders, and describes the evaluation process that will be followed once proposals are received.~~

1.2 Statutory and Regulatory Framework of the LTCS

~~All PPAs approved under the LTCS must be commercially reasonable long-term contracts with⁶ between electric distribution companies and developers or sponsors of newly developed renewable energy resources, and are ultimately subject to PUC approval. R.I. with Gen. Laws § 39-26.1-1. Under the LTCS, PPAs must also meet “the goals of stabilizing long-term energy prices, enhancing environmental quality, creating jobs in Rhode Island in the renewable energy sector, and facilitating the financing of renewable energy generation within the jurisdictional boundaries of the state or adjacent state or federal waters or providing direct economic benefit to the state.” R.I. Gen. Laws § 39-26.1-1. However, no PPAs shall be awarded unless the pricing under such contract(s) is below the forecasted market price of energy and RECs over the term of the proposed contract. R.I. Gen. Laws § 39-26.1-3(f).~~

~~⁴Included in this amount will be any capacity contracted for through DG enrollments.~~

~~The Company is required to contract for approximately 16 MW of distributed generation nameplate capacity by December 31, 2014, which is estimated to range between 2 MW to 6 MW of contract capacity, depending on LTCS requires that, at least once per year, an electric distribution company shall conduct solicitations until the outcome of the enrollments.~~

~~⁵The statute defines minimum long-term contract capacity as 90 MW, of which, 10% (9 MW) must be distributed generation contract capacity pursuant to the Distributed Generation Standard Contracts Act, which became~~

⁶ As defined in R.I. Gen. Laws § 39-26.1-2(1) and Section 3.1 of the Regulations, “commercially reasonable” means terms and pricing that are reasonably consistent with what an experienced power market analyst would expect to see in transactions involving newly developed renewable energy resources. Commercially reasonable shall include having a credible project operation date, as determined by the PUC, but a project need not have completed the requisite permitting process to be considered commercially reasonable. If there is a dispute about whether any terms or pricing are commercially reasonable, the PUC shall make the final determination after evidentiary hearings.

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effective on June 29, 2011, inclusive of 3 MW of solar photovoltaic projects. See met.⁷ R.I.G.L. § Gen. Laws §§ 39-26.2. Solar projects will not be precluded from the Long Term Contracting Standard solicitation, 1-2(7) and will be evaluated competitively with all other technology types. In determining whether the minimum long term contract capacity has been reached, the capacity shall be adjusted by the capacity factor of each renewable energy resource.

⁷The actual amount of electric energy and RECs to be procured under this RFP will depend upon National Grid's assessment of the bids submitted. The total amount of renewable resource capacity is the minimum long term contract capacity of 90 MW (788,400 MWh/year), to be procured over four RFP processes conducted annually over 39-26.1-3 (a four year period beginning in July 2010. The amount procured in any given year may be reduced by procurements conducted under other provisions of the Long Term Contracting Standard.

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⁷ National Grid's obligation to procure a minimum long-term contract capacity under the LTCS is 90 MW (or, the equivalent of 788,400 megawatt-hours ("MWh") per year). See R.I.G.L. § 39-26.2. (To determine long-term contract capacity, nameplate capacity is typically adjusted by the capacity factor -- as determined by ISO-New England Inc. ("ISO-NE") -- of each renewable energy resource.) As of December 30, 2017, National Grid had executed contracts for approximately 87 percent of the minimum long-term contract capacity required by the LTCS. National Grid is required by Section 5.3 of the Regulations to solicit the remaining approximately 13 percent of its LTCS capacity resulting from a terminated long-term contract, which is the equivalent of approximately 94,124 MWh or 10.74 MW.

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~~This RFP outlines the process that National Grid plans to follow to satisfy its obligations regarding the fourth of four solicitations required under the Long Term Contracting Standard and the Regulations, sets forth timetables regarding the solicitation process, provides information and instructions to prospective bidders, and describes the bid evaluation process that will be followed once bids are received.~~

~~1.2 — Statutory Framework Established by The Long Term Contracting Standard)~~

~~The Long Term Contracting Standard requires that beginning on July 1, 2010, National Grid conduct four annual solicitations of proposals from renewable energy developers and, provided commercially reasonable⁴ proposals have been received, enter into long term contracts with terms of up to fifteen (15) years⁵ for the purchase of capacity, energy and attributes from newly developed renewable energy resources. National Grid is not required to enter into long term contracts that exceed the following four year phased schedule:~~

~~By December 30, 2010: 25% of the minimum long term contract capacity~~

~~By December 30, 2011: 50% of the minimum long term contract capacity~~

~~By December 30, 2012: 75% of the minimum long term contract capacity~~

~~By December 30, 2014: 100% of the minimum long term contract capacity, but may do so earlier, subject to PUC approval.~~

~~As stated in the footnote on the first page of this RFP, the amount of energy and RECs procured in this solicitation will depend entirely on National Grid's evaluation of the bids submitted and National Grid's judgment whether there is value in selecting additional projects for the benefit of customers.~~

~~In addition, National Grid may, in its sole discretion, immediately, and from time to time, procure additional commercially reasonable contracts for newly developed renewable energy resources on an earlier timetable or above the minimum long-term contract capacity, subject to PUC approval. This procurement process may include individual negotiations, R.I. Gen. Laws § 39-26.1-3(c)(1). The amount of energy and RECs procured in this solicitation will depend entirely on National Grid's evaluation of the proposals submitted and National Grid's judgment as to whether there is value in selecting additional projects for the benefit of customers. See Section 5.4 of the Regulations. As explained in detail in note 7, above, National Grid is not legally obligated to execute PPAs for more than its minimum long-term contract capacity, but may do so voluntarily.~~

~~In addition, in accordance with the Distribution Generation Standard Contracts Act, National Grid is required to enter into standard contracts for an aggregate nameplate capacity of 40 MW of distributed~~

~~⁴“Commercially reasonable” means terms and pricing that are reasonably consistent with what an experienced power market analyst would expect to see in transactions involving newly developed renewable energy resources. Commercially reasonable also includes having a credible project operation date, but a project need not have completed the requisite permitting process to be considered commercially reasonable. The Regulations have defined credible operation date to mean that a project is more likely than not to come on line within ninety (90) days of that which is projected as evidenced by documentation filed by the renewable energy developer in the response to this RFP.~~

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~~*National Grid may enter into contracts for term lengths longer than fifteen (15) years, subject to PUC approval.~~

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~~generation projects⁶ by the end of 2014 to be spread over four years. National Grid is required to procure these contracts under a separate and distinct solicitation and enrollment program pursuant to the provisions of the new law. While bids received as part of this RFP may also qualify as a “distributed generation project”, this RFP is specifically to solicit proposals under the Long Term Contracting Standard.~~

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~~To be eligible under this RFP, a generator must be a “newly developed renewable energy resource” under the Long Term Contracting Standard and the Regulations. A. Specifically, a “newly developed renewable resource” is defined as by the LTCS and the Regulations as an electric generation unit that uses exclusively an eligible renewable energy resource (as defined under R.I.G.L. § 39-26-5 and Section 5 of the Rules and Regulations governing the Implementation of a Renewable Energy Standard, effective July 25, 2007, promulgated under R.I.G.L. §39-26-5), and that have to generate electricity, and that has neither begun operation, nor have the developers of the units implemented investment or lending arrangements necessary to finance the construction of the unit; provided, however, that any such projects located within the State of Rhode Island that have obtained project financing on or after January 1, 2009 shall also qualify under this RFP. R.I. Gen. Laws § 39-26.1-2(6); Section 3.16 of the Regulations. For more details on the eligibility of a facility under this RFP, please refer to Section 2.2.2.2. below.~~

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~~In determining whether National Grid has satisfied the minimum long term contract capacity requirement under the Long Term Contracting Standard, the nameplate capacity under contract shall be adjusted by the capacity factor of each renewable generator as determined by the ISO New England (“ISO-NE”) rules. For this RFP, and for future solicitations, the annual net capacity factor shall be used. This is the projected annual net (alternating current) electric output of the facility, divided by the product of the maximum net hourly output of the facility and 8760 hours/year.~~

~~All approved projects, regardless of their location, must “provide other direct economic benefits to the State of Rhode Island, such as job creation, increased property tax revenues, or other similar revenues, deemed substantial” by the PUC, as determined on a case-by-case basis. R.I. Gen. Laws § 39-26.1-5(e); Section 5.2 of the Regulations.~~

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~~In summary, a PPA must meet the following LTCS requirements must be met for approval of a PPA by the PUC:~~

- (a) ~~the project must be qualified as a “newly developed renewable energy resource,” (per R.I. Gen. Laws § 39-26.1-1 and Section 4.1 of the Regulations);~~
- (b) ~~the PPA must be commercially reasonable, and pricing under such contract(s) must be below the forecasted market price of energy and RECs over the term of the proposed contract (per R.I. Gen. Laws §§ 39-26.1-1 and 39-26.1-3(f); Section 4.1 of the Regulations); and~~
- (c) ~~the regardless of whether it is located in Rhode Island or not, the project must provide substantial direct economic benefits to Rhode Island, such as job creation or property tax revenues, as determined by National Grid’s analysis of the value of the respective direct economic benefits to the State of Rhode Island in relation to the cost under the contract (per R.I. Gen. Laws § 39-26.1-5(e); Section 5.2 of the Regulations).~~

1.3 Procurement Process and Bid Evaluation Approach

The timeline following the issuance of this RFP for evaluation and selection, as well as the schedule for other steps in the process including approval by the PUC, is set forth below in Section 3.1. The procurement process is designed to have three stages of evaluation, as described in Section 2.1 of the RFP. Initially,

The evaluation of bids will be conducted by National Grid, in consultation with OER and the Division. See Chart 1, below. In Stage One, proposals will be evaluated on the basis of whether certain eligibility and threshold requirements are satisfied. Eligibility requirements are designed to ensure that the bids/proposals under review offer the appropriate product and PPA tenor from qualifying newly developed renewable energy resources. Threshold requirements are designed to ensure that proposed projects satisfy statutory criteria under the LTCS and meet minimum standards for viability. National Grid reserves the right to conduct further evaluation of a proposal, at its discretion, before the Stage One evaluation is complete.

*Distributed generation projects are defined as those having a nameplate capacity of 5 MW or less. The Distributed Generation Standard Contracts Act also contains a provision which provides for a combination of such contracts with net metering

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~~criteria under the Long Term Contracting Standard and meet minimum standards for viability. In the second stage~~

~~In Stage Two, bids will be evaluated in a technology-neutral manner based on specified price and non-price evaluation criteria. This portion of the bid evaluation will be quantitative in nature (i.e., a quantitative scoring system will be utilized). Projects Proposals that pass the eligibility and threshold review and that are scored favorably in the second stage of the evaluation process Stage Two will advance to the final stage of the evaluation process. At this third stage of the process,~~

~~In Stage Three, further evaluation of the remaining bids will be conducted on matters pertaining to project viability and the extent to which the bids, individually and as a portfolio, achieve a variety of objectives, including cost-effectiveness and diversity of resources. National Grid will select bidsproposals for PPA consideration and negotiation from this pool. All three stages of the evaluation process, including the pertinent criteria, are described in Section II of this RFP.~~

1.4 Communications between National Grid and Bidders

~~With the exception of the pre-bidbidders' conference (see Section III, Paragraph 3.1 below), all pre-bid contact with prospective bidders and other interested parties will be via email and the National Grid energy procurement website. Questions provided in Section 3.5, below. Bidders should be submittedsubmit all questions by email as indicated in Section III, Paragraph 3.5 of this RFP, and National Grid will post responses will be posted to the website. Bids will Copies of proposals must be submitted to National Grid in the manner and at the mailing/delivery address set forth in Section III, Paragraph 3.5 of this RFP.~~

~~Following the submission of bidsa proposal, it will beis the bidder's responsibility of the bidders to keep National Grid informed of any changes in the status of their bids. This responsibility is applicable until such time as each bidder has been notifiedproposals and/or projects for the next 270 days that theits bid has been shortlisted or not shortlisted-must remain open. National Grid will retainretains the right to seek additional information from any bidder, as well asand the right to negotiate modified pricing-before, until a final contract is developed.~~

1.5 RFP Process

~~The timeline for the bidding process following the issuance of this RFP, as well as the schedule for other steps in the process including approval by the PUC, is set forth below at Section 3.1.~~

II. Bid Evaluation and Selection Criteria and Process

2.1 Overview of Bid Evaluation and Selection Process

~~Once bids are~~

~~Proposals received by National Grid, the proposals will be subjectsubjected to a consistent and defined review, evaluation, and short list selection process. The first stage consists of a review of whether the bids satisfy specified eligibility, threshold and other minimum requirements set forth in Section 2.2 of this RFP. The second stage consists of a combined price and non-price evaluation of bids that pass the first stage review, as described in Section 2.3 of this RFP. Bids that are selected for further review will enter a final stage of review which will involve additional risk assessment and consideration of the bids from a portfolio perspective consistent with the criteria set forth in Section 2.4 of this RFP.~~

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~~Subsequent to the selection of the short list~~ the following sections. Based on the results of the ~~evaluation~~, National Grid will ~~conduct any additional evaluation as required~~, select ~~bids~~ proposals for contract negotiations, and will file any and all executed contracts for review

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and approval by the PUC. ~~This post short list selection stage of the process is described in Section 2.5 of this RFP.~~

2.2 Eligibility, Threshold and Other Minimum Requirements — Stage One of the Evaluation Process

2.2.1 Introduction

In order for a bid to qualify for detailed evaluation, ~~a proposal must be timely submitted⁸ and satisfy certain minimum requirements, which are: (1) eligibility requirements pursuant to this RFP. These requirements pertain to eligibility; (2) a variety of threshold requirements; and (3) other requirements pertaining to participation in this RFP, including bidder certifications and allowable pricing. Following receipt of the bids, the bids will be reviewed to determine whether they satisfy these minimum requirements. Bids that do not satisfy all of these Stage One requirements, it may be disqualified from further review and evaluation.⁷ Stage One requirements are set forth in the following section of this RFP.⁹ See Sections 2.2.2 through 2.2.4, below.~~

2.2.2 Eligibility Requirements

All proposals must meet the following eligibility requirements set forth below. Specifically, proposals will be considered from an “Eligible Bidder” with respect to “Eligible Products” generated from an “Eligible Facility.” The Eligible Products must be offered ~~over~~for the “Allowable Contract Term” in quantities that are equal or greater than the “Minimum Contract Size.” Failure to meet any of these requirements will lead to disqualification of the proposal from further review and evaluation.

2.2.2.1 Eligible Bidder

An Eligible Bidder is the owner of an Eligible Facility or of the development rights to an Eligible Facility, i.e., the developer of the Eligible Facility.

2.2.2.2 Eligible Facility

An Eligible Facility must be an electric generation facility that satisfies each of the following standards:

- a. The electric generation facility must qualify as an eligible renewable energy resource as defined R.I.G.L. ~~Gen. Laws § 39-26.1-2(4)~~, § 39-26-5 and Section ~~§3.16~~ of the PUC Regulations ~~governing the Implementation of a Renewable Energy Standard, effective July 25, 2007, promulgated under ; and R.I.G.L. §39-26-5.~~
- b. The facility must qualify as a “newly developed renewable energy resource,” as defined in R.I.G.L. ~~§ Gen. Laws § 39-26.1-2(6).~~ ~~The~~ ~~As of the date of contract signing, the generation~~

⁸ For it to be eligible, National Grid must receive a bid by 12:00 p.m. (i.e., noon), Eastern Prevailing Time on the due date for proposals, as set forth in Section 3.1, below.

⁹ National Grid reserves the right to conduct further evaluation of a proposal, at its discretion, before the Stage One evaluation is complete.

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~~units~~unit(s) must not have begun operation, ~~nor have~~and the developers must not have implemented investment or lending arrangements to finance construction.

~~National Grid may conduct additional evaluation on bids at its discretion before the Stage One evaluation is completed.~~

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~~provided, however, that any projects located within the state of Rhode Island which obtain project financing on or after January 1, 2009 shall qualify for this initial solicitation.~~

~~e. All projects, regardless of their location, shall provide other direct economic benefits to the State of Rhode Island, such as job creation, increased property tax revenues, or other similar revenues, or pricing benefits.~~

Note: A generation unit is not eligible under this RFP if it is net-metered or behind a retail meter.

2.2.2.3 Eligible Products

An Eligible Bidder must propose to sell electric capacity, energy and RECs from an Eligible Facility under a PPA.¹⁰ The structure of the contract must be both unit-specific and unit-contingent. ~~With respect to electric capacity, (i.e., if seller's specific unit produces energy and RECs, then seller must deliver that unit's energy and RECs to buyer) and the delivery point under the Eligible Bidder must propose a means of addressing the sale of that capacity within the context of the contract must be located within ISO-NE Forward Capacity Market.~~

2.2.2.4 Allowable Contract Term

Consistent with the definition of long-, The pricing for eligible products under such contract(s) must be below the forecasted market price of energy and RECs over the term of the proposed contract. R.I. Gen. Laws § 39-26.1-3(f).

For this RFP, the PPA capacity is the projected annual net (alternating current) electric output of the facility, divided by the product of the maximum net hourly output of the facility and 8,760 hours/year. For projects not located in ISO-NE, this annual amount shall be adjusted to the amount of renewable energy expected to be delivered under the long term contract to the delivery point within ISO-NE, as proposed by bidder. R.I. Gen. Laws § 39-26.1-2(7); Section 3.10 of the Regulations, ~~am.~~

It is the bidder's responsibility to satisfy the delivery requirement. The delivery point must be located so that National Grid is not responsible for wheeling charges to move energy to the ISO-NE pool transmission facility ("PTF"). National Grid will not be responsible for any costs associated with delivery other than the payment of the contract prices. Similarly, National Grid will not be responsible for any scheduling associated with delivery.

2.2.2.4 Allowable Contract Term

An Eligible Bidder ~~may~~ must submit a proposal for the sale of Eligible Products from an Eligible Facility for a term of 10 to 15 years, ~~at the bidder's discretion.~~ R.I. Gen. Laws §§ 39-26.1-2 and 39-26.1-3(a). Contract terms may be greater than ~~fifteen (15)~~ years, upon approval of the PUC. ~~Bidders~~ R.I. Gen. Laws § 39-26.1-3(a). ~~However, bidders~~ seeking contract terms longer than 15 years must demonstrate ~~why that~~ the longer contract term is ~~appropriate~~ a contract cost savings, and must submit pricing schedules for ~~both: (1) a contract of 10 to 15 years; and (2) for the longer~~

¹⁰ While R.I. Gen. Laws § 39-26.1-3(a) authorizes National Grid to purchase capacity, energy, and attributes from newly developed, renewable-energy resources, in this RFP, National Grid seeks only bids for energy and RECs.

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~~term-contract term and the required bid fee.~~ The two pricing schedules will be used to evaluate any economic justification for the longer term.

~~2.2.2.5~~ Minimum Contract Size

~~The Minimum Contract Size is the proposed sale of Eligible Products from all or a portion of the net generating capability of an Eligible Facility at a specific site that is, at a minimum, one (1) 20 MW.⁹¹¹ A bidder may bid the capacity and the entire production of energy and RECs Eligible Products from its proposed Eligible Facility, or from any portion of the production for its proposed Eligible Facility. The contract capacity under this RFP shall be determined by the product, provided that if a bidder only proposes a portion of the maximum net production from its proposed Eligible Facility, the pro rata portion of that production must be equivalent to at least 20 MW (e.g., if a bidder proposes one-half of the production from its Eligible Facility, then the generating capability of the unit(s) and the expected annual capacity factor. Under this RFP, there is not a maximum contract size per se. However, National Grid may that Eligible Facility must be constrained in light of the objective of this particular RFP process (as described above), and 90 MW total over four solicitations at least 40 MW).~~

~~A minimum contract size of 250 kW is acceptable for solar projects only.~~

~~⁹¹¹For the sale of RECs only from projects that intend to take advantage of net metering, those projects are now governed by the Net Metering provision of the Renewable Energy Standard, R.I.G.L. § 39-26.4-1 et seq, which took effect on June 29, 2011 and contains specific provisions for the installation of customer-sited, grid-connected renewable energy generation by an eligible net metering system.~~

~~⁹¹¹The minimum project size as defined here is the maximum net output (alternating current) in MWh per hour. Note that this rating differs from renewable capacity as defined in the Long-Term Contracting Standard and in the Regulations, which account for capacity factor in the determination of contract capacity.~~

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¹¹ The Minimum Project Size as defined here is the maximum net output (alternating current) in MWh per hour. Note that this rating differs from the definition of "minimum long-term contract capacity" within R.I. Gen. Laws § 39-26.1-2(7) and Section 3.10 of the Regulations.

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2.2.3- Threshold Requirements

2.2.3.1 Introduction

Bids

Proposals that meet all the Eligibility Requirements will be evaluated to determine compliance with threshold requirements, which have been designed to screen out proposals that are: insufficiently mature from a project development perspective; lack technical viability; impose unacceptable financial accounting consequences for National Grid; are not in compliance with RFP requirements pertaining to credit support, or fail to satisfy minimum standards for bidder experience and ability to finance the proposed project. The threshold requirements for this RFP are set forth below.

2.2.3.2 Reasonable Project Schedule

National Grid is interested in projects that can demonstrate the ability to develop, permit, finance, and construct the proposed Eligible Facility within a reasonably proximate time. To that end, Eligible Bidders must provide a reasonable schedule¹² that provides deadlines for both of the following events, after the contract execution date:

- Closing of construction financing and commencement of construction ~~Two years after contract execution date;~~ and
- Commercial Operation Date ~~Five years after contract execution date.~~
~~An exception to~~

~~Section 3.3 of the above is that solar projects should have schedules that provide for commercial operation within two years.~~

~~The Regulations specifically defined/defines the term "credible operation date, which means that a project is" as more likely than not to that the project will come on line within ninety (90) days of the date that which is projected within the proposal, as evidenced by documents filed by a bidder showing, at a minimum, the following:~~

- ~~commencement of permitting processes;~~
- ~~a plan for completing all permitting processes;~~
- ~~viable resource assessment or fuel supply plans and agreements;~~
- ~~viable financing plans;~~
- ~~viable installation and electrical interconnect plans;~~
- ~~material progress toward acquisition of real property rights; and~~
- ~~evidence of material vendor activity.~~

¹² For example, reasonable deadlines may be no more than two years for the closing of construction financing and the commencement of construction from the date of contract execution, and no more than five years to become commercially operational from the date of contract execution, unless the bidder otherwise explains in its proposal that its schedule is reasonable, based on its technology and/or project size.

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Other considerations for establishing a credible operation date that are noted in the Regulations include:

- developer experience in completing similar projects by proposed dates;
- track record and state of development of the particular technology being proposed;
- assignment of an ISO-NE interconnection queue position; and
- developer's ability to secure financing necessary to complete the project by the proposed date.

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A proposal that does not have a reasonable schedule that provides sufficient time for the application for, and receipt of, necessary permits and approvals may be determined not to have satisfied this threshold requirement. In addition, a proposal that is determined to have a “fatal flaw” such that it will be unable to obtain permits or property rights necessary to finance and construct the proposed project may be determined not to have satisfied this threshold requirement.

2.2.3.3 Site Control

The bidder must demonstrate that it has control or a right to acquire control over a site for its proposed project. To meet this threshold requirement, bidders must either provide documentation showing that they own the site or have a lease or other property rights with respect to the site on which the proposed project will be located; have an option agreement to purchase or lease the site, or at a minimum have negotiated a letter of intent for control of the site. Bidders that only have a letter of intent for the site at the time of bid submission may be required to obtain a binding site control agreement at a later time prior to execution of a PPA (which may include an option to purchase or an option to lease). Site control for offshore wind projects or projects on state lands will be evaluated based on the particular submissions of bidders and the extent to which they can demonstrate a high likelihood that they will be able to obtain the necessary rights to construct and operate the proposed project, including the real property rights associated with the interconnecting facilities from the proposed project to the transmission grid or local distribution facilities.

The bidder must demonstrate that it has control, or an irrevocable option (conditioned only upon the payment of a reasonable amount) to acquire control, over the site for its proposed generation project, including any rights necessary to access the project site and any rights to the generator lead to the Delivery Point under the PPA (or, if the project is not within ISO-NE, to the point of interconnection for the project) Control or rights to acquire control must be documented by the bidder completing the form in Appendix B in its entirety and also by complying with all of the following additional requirements in their entirety:

- i. Provide a site plan including a map of the site that clearly identifies the location of the generation unit site, the assumed right-of-way for any generator lead, the total acreage for the generation unit, the anticipated interconnection point, and the relationship of the site to other local infrastructure, including transmission facilities, roadways, and water resources. In addition to providing the required map, provide a site layout plan which illustrates the location of all major equipment and facilities on the site;
- ii. Provide a certification of the bidder’s rights to use the generation unit site and/or generator lead route for the entire proposed term of the PPA (e.g., by virtue of ownership or land development rights obtained from the owner or a lease or easement with a term that is at least as long as the proposed term of the PPA). Identify the individual deeds, leases, easements and other documents creating the right to use the generation unit site and any rights of way needed for interconnection. The bidder may be asked to provide copies of some or all of those documents within 5 days after the request for those documents is made. Under no circumstances will a bidder be selected to proceed to PPA negotiation without having secured and demonstrated full documentation of all property rights required for the project;

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- iii. Provide evidence that the generation unit site and/or generator lead route is properly zoned or permitted. If the generation unit site and/or generator lead route is not currently zoned or permitted properly, identify present and required zoning and/or land use designations and permits and provide a permitting plan and timeline to secure the necessary approvals;
- iv. Provide a description of the area surrounding the generation unit site and/or generator lead route, including a description of the local zoning, flood plain information, existing land and/or waterway use and setting (woodlands, grassland, agriculture, marine environment, other); and
- v. Provide a map of the proposed interconnection that includes the path from the generation site to the New England Power Pool (NEPOOL) Transmission Facilities.

2.2.3.4 Interconnection and Delivery Requirements

The delivery of Eligible Products from an Eligible Facility must occur throughout the term of the contract. Substitution of non-Eligible Products is not allowed for delivery. The delivery point must be located so that National Grid is not responsible for wheeling charges to move energy to the ISO-NE delivery point. National Grid will not be responsible for any costs associated with delivery other than the payment of the contract prices. Similarly, National Grid will not be responsible for any scheduling associated with delivery. At no time will National Grid assume the responsibility of Lead Market Participant, as defined by ISO-NE.

The bidder will be responsible for all costs associated with and/or arising from interconnecting its project to the PTF. Delivery must occur in ISO-NE's settlement system at the delivery point. The Company is seeking projects from which energy can be delivered without material constraint or curtailment (i.e., the project can be fully dispatched) and the bidder is obligated to demonstrate how the Capacity Capability Interconnection Standard (CCIS) as defined by ISO-NE is to be satisfied. Consequently, bidders must demonstrate that their proposed point of delivery into ISO-NE, along with their proposed interconnection and transmission upgrades, is sufficient to ensure full dispatch of the proposal's generation profile. Proposals must include all interconnection and transmission or distribution system upgrade costs required to ensure full dispatch, including upgrades that may need to occur beyond the point of interconnection. Proposals that fail to provide sufficient supporting documentation or information necessary to reasonably ensure full delivery under a range of assumptions may be eliminated from further evaluation.

The generation unit shall comply with all ISO-NE and FERC interconnection requirements for generation facilities and interregional ties, as applicable. The RECs and environmental attributes must be delivered into National Grid's NEPOOL GIS accounts.

The bidder must detail the status (and conclusions, as available) of interconnection applications and studies, as further described in Section 6 of Appendix B to this RFP.

All projects submitted by bidders must have filed an interconnection request with ISO-NE, seeking service at the CCIS. Projects that have received their I.3.9 approval from ISO-NE must identify that approval and include such documentation in their proposal. Proposals that do not have I.3.9 approval from ISO-NE must include technical reports or system impact studies that approximate the ISO-NE interconnection process including the Overlapping System Impact Study required for qualification in

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the Forward Capacity Market (FCM). These studies and reports must include clear documentation of study technical and cost assumptions, reasoning, and justification of such assumptions. All studies must use the current ISO-NE interconnection process (including network impact scenarios from multiple projects interconnecting), and must also detail any assumptions with respect to projects that are ahead of the proposed project in the ISO-NE interconnection queue and any assumptions as to changes to the transmission system that differ from the current ISO-NE Regional System Plan. Proposals are strongly encouraged to include a scenario analysis in their studies that shows how changes in the project interconnection queue could impact their interconnection costs using the current ISO-NE interconnection rules.

To the extent that ISO-NE is considering changes to the current interconnection rules, bidders may also submit studies using the new ISO-NE proposed process. Any such studies must be accompanied with clear documentation of study technical and cost assumptions, reasoning, and justification of such assumptions. National Grid may consider such additional studies during the evaluation process if applicable, but will not consider submissions based on interconnection processes or rules that have not been proposed by ISO-NE.

The requirement to qualify for CCIS is strictly to assure deliverability, and bidders are not required to participate in the FCM. National Grid will not purchase capacity if the project clears in the Forward Capacity Auction (FCA), and any capacity revenues will accrue to the Lead Market Participant.

2.2.3.4 Technical Viability; Ability to Finance the Proposed Project

The bidder must demonstrate that the technology it proposes to use is technically viable and that the bidder has the ability to finance the proposed project. Technical viability may be demonstrated by showing that the technology is commercially available and has been used successfully. If a bidder plans to use technology that is not commercially proven, it must provide evidence of technical viability and a credible plan to finance the project in light of the state of development of the technology. All bidders must provide a reasonable plan for financing the proposed project, including the funding of development costs and the required development period security and the ability to acquire the required equipment in the time frame proposed.

2.2.3.5 Experience

The bidder must demonstrate that it has a sufficient amount of relevant experience to successfully develop, finance, construct and operate its proposed project. This demonstration can be made by showing that the bidder (or a substantial member of the bidder's development team) has:

- a. Successfully developed a similar type of project by a proposed commercial operation date; OR
- b. Successfully developed one or more projects of different technologies but of similar size or complexity or requiring similar skill sets by a proposed commercial operation date; AND

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c. ~~e.~~ Experience in financing power generation projects.

~~2.2.3.6~~ **Direct Economic Benefits to Rhode Island**

~~The Long Term Contracting Standard requires that projects, regardless of their location, shall provide other direct economic benefits to the State of Rhode Island, such as job creation, increased property tax revenues, or other similar revenues. This threshold requirement can be satisfied by a showing of:~~

- ~~a. Direct employment benefits associated with the proposed project;~~
- ~~b. Indirect employment benefits associated with the proposed project;~~
- ~~c. Increased property tax revenues or other similar revenues.~~

~~For projects not located in Rhode Island, the benefits of cost savings for Rhode Island customers resulting from competitive pricing will be considered. National Grid will be required to conduct an analysis of the respective economic benefits in relation to costs under the PPA.~~

~~2.2.3.7~~ **Security Requirements**

~~Bidders will be required to post Development Period Security and Operating Period Security. The required level of Development Period Security is a \$30 per kW Development Period Security Amount \$20,000 multiplied by (a) the proposed project's nameplate capacity (in kW) if the entire output of the proposed project is proposed to be sold under this RFP or (b) the percentage of the proposed project's output that is proposed to be sold under this RFP multiplied by the project's nameplate capacity.¹⁰ the Contract Maximum Amount (as defined in the Draft Contracts, Appendix D). Fifty percent (50%) of the Development Period Security must be provided upon execution of the PPA. The remaining fifty percent (50%) of the Development Period Security must be provided upon PUC approval of the PPA. Any posted Development Period Security will be promptly returned if the PUC does not approve the PPA. Once a project achieves Commercial Operation, the amount of required security (Operating Period Security) will be the same as the required amount of Development Period Security.~~

~~The required security must be in the form of a cash deposit or a letter of credit, as required in the Draft Contracts.~~

~~2.2.3.8~~ **Commercially Reasonable Standard**

~~Under the Long Term Contracting Standard L.T.C.S., National Grid is not obligated to enter into long-term contracts for renewable energy resources on terms which National Grid believes to be commercially unreasonable. R.I. Gen. Laws § 39-26.1-3(c)(1). National Grid will consider both the pricing schedule and non-price terms and conditions in an initial assessment of whether a proposal is commercially reasonable, which is defined in Section 39-26.1-2(1) of the Long Term Contracting Standard as having "terms and pricing that are reasonably consistent with what an experienced power market analyst would expect to see in transactions involving new developed renewable energy resources." R.I. Gen. Laws § 39-26.1-2.~~

~~¹⁰For projects that have significant auxiliary loads, net generating capacity may be used in lieu of nameplate capacity. Note that this rating is not the same as renewable capacity as defined in the Long Term Contracting Standard, and in the Regulations, which account for capacity factor in the determination of contract capacity.~~

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2.2.3.98 Timeliness

The bid submitted must be timely submitted, in accordance with Sections 3.1 and 3.8 of this RFP, below.

2.2.4 Other Minimum Requirements

Other RFP requirements pertain to bid certification, allowable pricing and bid completeness, as described in this section.

2.2.4.1 Proposal Certification

Bidders are required to provide firm pricing for 120270 days from the date of bid submission. The bidder must also sign the certification form in Appendix B verifying that the prices, terms and conditions of the proposal are valid for at least 120270 days. An officer or duly authorized representative of the bidder is required to sign the Proposal Certification Form.

2.2.4.2 Pricing

2.2.4.2.1 Allowable Forms of Pricing:

National Grid will accept proposals from renewable resources for capacity. All bidders should provide separate prices for energy and renewable attributes that offer one or a combination of the following RECs, in accordance with pricing options: (a) through (c), below:

- (1) (a) a fixed bundled energy price (in \$/MWh), with separate pricing for capacity (\$/kW month), energy (\$/MWh) and RECs (\$/REC) for the term of the contract;
- (2) (b) prices for bundled energy and for capacity, energy and RECs (in \$/MWh, \$/kW month and \$/REC, respectively) that change by a fixed rate for the term of the contract (e.g., a 2% increase per year); or by different fixed rates for various periods of the contract (e.g., a 3% increase per year for the first 5 years, 2% and then a 2% increase per year for the next 5 years, etc.); or
- (c) an indexed price for bundled energy and for capacity, energy and RECs (in \$/MWh, \$/kW month and/or \$/REC, respectively) based on a published, publicly available inflation related index that reflects actual project costs for a portion of the costs; indexed at or below the ISO-NE Day Ahead or Real-Time LMP as applicable, for a defined pricing node on the ISO-NE Pool Transmission Facility ("PTF").

Regardless of the project (e.g., operating and maintenance costs); provided, that pricing option utilized, pricing for energy and RECs must align with the index must be used in a symmetrical manner (i.e., it must allow for both price increases and decreases depending on relative market value of those products. In order to assess whether the pertinent index increases or decreases in value, and prices with a floor proposed REC prices meet this requirement, National Grid will determine a default REC price at the time this RFP is issued based on the most recent "Base Case, Class 1 Market Price for Rhode Island," prepared by Sustainable Energy Advantage.

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2.2.4.2.2 Pricing must conform to the following conditions:

~~(3) Regardless of whether a bidder proposes pricing option (a), (b), or (c) listed in Section 2.2.4.2.1, above, any pricing option must also have a symmetrical ceiling.†† conform to the following pricing conditions;~~

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~~(4) (a) Proposed prices may neither nor be conditioned upon, nor subject to adjustment, based upon the availability of the Federal Production Tax Credit or the Federal Investment Tax Credit, or the availability or receipt of any other government grant or subsidy;~~

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~~†† Installed capacity must qualify under ISO-NE rules and the Bidder's proposal conforms with the ISO-NE market rules for its Forward Capacity Market and must not require National Grid to be the Lead Market Participant for the bidder's generating unit.~~

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~~(5) Recent ISO NE Market Rule changes will enable Market Participants to submit negative offers as low as negative \$150/MWh (see "ISO New England Inc. and New England Power Pool, Docket No. ER13-1877-000, Energy Market Offer Flexibility Changes", filed July 1, 2013). Bidders are required to develop their pricing proposal in contemplation of a payment adjustment~~

~~(b) pricing must incorporate a price adjustment if the generation ceases to conform to R.I.G.L. § 39-26-5, National Grid will thereafter only purchase the electric energy under that PPA, and the Seller will be permitted to sell those non-conforming RECs to a third party; and~~

~~(c) pricing must adjust payment to compensate National Grid for any energy delivered at negative market clearing prices at the delivery node. In the event that the Locational Marginal Price ("LMP") for the Energy at the Delivery Point is less than \$0.00 per MWh in any hour, the PPA price for Energy purchased during that hour will be reduced by the amount by which that LMP is below \$0.00/MWh.~~

Examples:

~~If Delivered Energy equals 1 MWh and Contract Price equals \$50.00/MWh:~~

~~Hourly LMP at the Delivery Point equals (or is greater than) \$0.00/MWh:~~

~~Buyer payment of Price to Seller = \$50.00/MWh
Seller credit/reimbursement for negative LMP to Buyer = \$0.00
Net Result: Buyer pays Seller \$50/MWh for that hour~~

~~Hourly LMP at the Delivery Point equals -\$150.00/MWh:
Buyer payment of Price to Seller = \$50.00
Seller credit/reimbursement for negative LMP to Buyer = \$150.00/MWh~~

~~Net Result: Seller credits or reimburses Buyer: \$150/MWh - \$50/MWh = \$100/MWh for that hour~~

~~These forms of pricing are conforming under this RFP. National Grid may consider other forms of pricing as an alternative, as long as the bidder submits a proposal for the project with conforming pricing, and required bid fee. Alternative (i.e., non-conforming) pricing may be considered subject to the following conditions:~~

- ~~Any pricing formula must be symmetrical in. In other words, if an index is to be utilized, prices must be allowed to increase or decrease in a symmetrical manner relative to a base price; and~~
- ~~There must be a price cap for each year under the proposed contract.~~

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• National Grid is under no obligation to accept a proposal with any form of alternative (i.e., non-conforming) pricing.

The Delivery Point for electric energy must be ~~(a) at an ISO-NE Pool Transmission Facility PTF node or (b) a point on the local distribution system for smaller projects.~~ For projects not located in Rhode Island, National Grid may also require pricing based on the Rhode Island zone. For projects not located in within ISO-NE, National Grid still requires pricing based on delivery to an ISO-NE PTF node.

With respect to any pricing proposal, payments will only be made for Eligible Products delivered to National Grid's ISO-NE and NEPOOL accounts. For a project that is not located within the ISO-NE control area, National Grid will require the minimum delivery of the project's production profile to be delivered to the ISO-NE delivery point.

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2.2.4.3 Bid Completeness: Bidder Response Forms

Bidders must use the forms provided in Appendix B and provide complete responses- in each section. Appendix B contains the Bidder Response Forms which outline the information required from each bidder. ~~Bidders are required to provide the information requested in each section of the Bidder Response Forms.~~ If any of the information requested is inconsistent with the type of technology or product proposed, the Bidder should include "N/A" and describe the basis for this designation. If a bidder does not have the information requested in the bid forms and cannot obtain access to that information prior to the bid submittal due date, the bidder should provide an appropriate explanation.

Appendix D to this RFP is the form of the Draft Contracts being used in this solicitation: one contract is for projects within the ISO-NE control area, and one contract is for projects outside the ISO-NE control area. A bidder must include a marked version showing any proposed changes to the Draft Contract with its proposal. National Grid will presume that bidders are willing to execute the marked-up contracts included in their proposals. If a Bidder fails to include a marked version of one of the Draft Contracts, National Grid will presume that bidder is willing to execute the Draft Contract that applies to its project. Any exceptions taken to threshold and/or eligibility requirements may result in a proposal being rejected. Bidders are discouraged from proposing material changes to the Draft Contracts.

2.2.4.4 Non-Refundable Bid Fees

Each proposal must be accompanied by a non-refundable bid fee, which will be used to offset the cost of the evaluation of proposals. The minimum bid fee will be \$25,000 for a project with a minimum nameplate capacity of 20 MW, and bid fees will increase by \$1,000 for each MW above 20 MW to a maximum bid fee of \$100,000. If there are changes to any physical aspect of a project, including but not limited to project size, technology type(s), production/delivery profile, in-service date, or delivery location, then another bid fee will be required. Each additional pricing offer for the same project, including those with alternate contract term lengths, will cost an additional fixed fee of \$25,000.

Bid fees must be sent to National Grid. Instructions will be sent in response to a notice of intent to bid, and/or upon request. Bid fees must be received by National Grid no later than the final date for the submission of proposals. Proposals that are submitted without a bid fee will not be considered or reviewed. Before submitting proposals and bid fees, bidders are strongly encouraged to verify that the proposal and documentation meets all requirements of this RFP. Submission of a bid fee does not obligate National Grid to select a project.

2.3 Second Stage Evaluation Two – Price and Non-Price Analysis

~~Proposals that meet the requirements of the first stage review will then be subject to Stage Two of the evaluation involves an initial price and non-price analysis of proposals.~~ The results of the price and non-price analysis will be a relative ranking and scoring of ~~all~~ proposals. National Grid plans to weight price factors at eighty percent (80%) and non-price factors at twenty percent (20%) for purposes of conducting the initial evaluation.

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2.3.1- Initial Evaluation Using Price-Related Evaluation Criteria

The price evaluation will be based on a comparison of (a) the total contract cost of the products bid, which must include capacity, energy, and RECs, to (b) the estimated market value of these products, taking into consideration the production profile and location of the proposed project over the term of the proposed bid (10-15 years)contract term and any locational marginal price benefits. National Grid plans to use a price forecast that will incorporate the effects of future federal or state regulation of carbon dioxide emissions on relevant energy prices. The metric used will be net \$/MWh cost or benefit. Each bidder will be responsible for all costs associated with interconnecting its project to the transmission grid or, if applicable, local distribution facilities. Each bidder will identify in its bidsbid(s) its proposed point(s) of delivery within ISO-NE.

As part of the price evaluation, National Grid will assess the relative above-market or below-market costs during the beginning, middle and end years of the proposed contract bid on a present value basis in order to assess the relative front-loading or back-loading of the proposed bid. Other The discount rate to be used in the evaluation will be 7%. All other things being held equal, bids that have more front-loaded above-market costs will not be evaluated as favorably as other bids.

Proposals will be ranked from highest to lowest present value of net benefit (or lowest to highest present value of net cost) on a dollars per MWh basis based on the result derived through the application of the methodology described above (including consideration for front loading/back-loading).

All projects, regardless of their location, shall provide other direct economic benefits to the State of Rhode Island, such as job creation, increased property tax revenues, or other similar revenues, or pricing benefits, as determined by National Grid's analysis of the value of the respective direct economic benefits to the State of Rhode Island in relation to the cost under the contract. For projects that are not located in Rhode Island, the benefits of cost savings for Rhode Island customers resulting from competitive pricing will be considered in this analysis.

2.3.2- Initial Non-Price Evaluation

The non-price evaluation will consist of five overall categories: (1) siting and, permitting, and environmental impacts; (2) project development status and operational viability; (3) experience and capabilities of bidder and the project development team; (4) assignment of an ISO-NE queue position, if required, and (interconnection); (5) financing; (6) contract risk; and (7) economic benefits to Rhode Island. Within each category are a number of related criteria that will be considered in the evaluation. This

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section of the RFP will identify and describe in more detail the individual criteria within each primary category. The relative importance of each of the criteria in terms of the scoring of the bids will be developed prior to receipt of bids and will be utilized during the bid evaluation process.

2.3.2.1 Purpose of Non-Price Evaluation Criteria

The non-price evaluation criteria other than contract exceptions are designed to assess the likelihood of a project coming to fruition based on various factors critical to successful project development. The objectives of the criteria are to provide an indication of the feasibility and viability of each project and the likelihood of meeting the proposed commercial operation date. Proposals are preferred that can demonstrate, based on the current status of project development and past experience, that the project will likely be successfully developed and operated as proposed.

2.3.2.2 Factors to be Assessed in Non-Price Evaluation

Within each of the five non-price evaluation factors, a variety of project and proposal-related factors will be assessed. They are summarized as follows:

- Siting and permitting
 - o Extent to which site control has been achieved, including acquisition of necessary easements or rights-of-way
 - o Identification of required permits and approvals
 - o Status of efforts and credibility of plan to obtain permits and approvals
 - o Community relations plan
 - o Environmental Impact
- Project development status and operational viability
 - o Completeness and credibility of detailed critical path schedule; ability to meet scheduled construction start date and commercial operation date
 - o Credibility of fuel supply plans or energy resource assessments
 - o Reliability and state of development of proposed technology
 - o Commercial access to proposed technology
 - o Progress in interconnection process
- Experience and capabilities of bidder and project development team
 - o Project development
 - o Project financing
 - o Operations and maintenance
 - o Experience in the ISO-NE market
- Assignment of an ISO-NE queue position, if required
- Interconnection and Deliverability
 - o Status of interconnection and system impact studies
 - o Likelihood that interconnection process will be completed in accordance with schedule for project development
- Financing
 - o Credibility of financing plan
 - o Financial strength of bidder

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2.4 Third Stage Evaluation; Selection of the Initial Short List

- Following Contract Risk
 - Extent to which the total price bidder accepts provisions of the Draft Contract that applies to its project or shifts risk to buyer and customers
- Economic Benefits to Rhode Island ~~non-price rankings conducted in the second evaluation stage.~~

2.4 Stage Three -- Portfolio Analysis

Stage Three involves a further ~~review~~¹² ~~review~~¹³ of the bids ~~will be conducted and a short list selected.~~¹⁴ In this third stage of the evaluation (and in selecting the short list), Stage Three, National Grid will consider and weight at its discretion the following factors:

- Ranking in the second stage evaluation ~~Stage Two;~~
- Commercial reasonableness of the bid ~~bid;~~
- Risk associated with project viability of the bid ~~bid;~~
- The extent to which the bid would create additional employment or other economic and environmental benefits ~~would be created~~ within Rhode Island; and
- Portfolio effect: the value overall impact of diversity ~~any combinations of resources by size and type of resources~~ proposals.

National Grid believes that a third stage evaluation process that uses the second stage evaluation Stage Three uses Stage Two as a guide and provides for a reasonable degree of considered judgment based on criteria specified in this RFP, which will provide greater assurance that the RFP will lead to successful results.

The objective of the third stage of evaluation ~~Stage Three,~~ is to select the proposal(s) which that provide the greatest value consistent with the stated objectives and requirements as set forth in the RFP. Generally, National Grid prefers viable projects that provide low cost renewable energy with limited risk and some degree of resource diversity. However, it is recognized that any particular project may not be ranked highly with respect to all of these considerations and the extent to which the stated RFP objectives will be satisfied will depend, in large part, on the particulars of the proposals that are submitted. Based on the results of Stage Three, one or more projects will be conditionally selected for contract negotiations, if appropriate.

2.5 Contract Negotiation Process

Bidders

Any bidders selected for negotiations by National Grid will be required to indicate in writing whether they intend to proceed with their proposals within five business days of being notified. As basis for negotiation, bidders will be provided with a PPA appropriate for the particular project Bidders must

¹³ In connection with this review, and in evaluation of the pricing, a bidder may be asked to provide pro forma income and cash flow statements for the term of the proposed PPA (including revenue and cost data by major categories, debt service, depreciation expense and other relevant information).

¹⁴ National Grid is under no obligation to proceed beyond Stage Two if bids do not meet the LTCS requirements.

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be able to begin negotiations immediately upon that notification, including the resolution of any conflicts that their selected counsel may have with National Grid. If negotiations are not successful within a reasonable period of time, National Grid may terminate a project's conditional selection.

2.6 Regulatory Approval

Once

If National Grid ~~has executed~~ executes any PPA as a result of this RFP process, ~~the proposed such~~ PPA(s) will be ~~submitted to~~ filed with the PUC for review and approval within ~~thirty (30)~~ sixty (60) days of ~~the~~ execution. ~~The PUC shall~~ date. After National Grid files the PPA(s), the PUC will hold public hearings ~~to review the PPA~~ within approximately forty-five (45) days of the filing, and issue a written order approving or rejecting the PPA within approximately sixty (60) days ~~of the filing.~~¹⁵ The PUC will approve the PPA(s) if it ~~determined~~ determines that:

- (1) the PPA(s) ~~is/are~~ is/are commercially reasonable,

~~-In connection with this review, and in evaluation of the pricing, a bidder may be asked to provide pro forma income and cash flow statements for the term of the proposed PPA (including revenue and cost data by major categories, debt service, depreciation expense and other relevant information).~~

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¹⁵ See R.I. Gen. Laws § 39-26.1-3(b). If the PUC rejects a contract, it may advise the parties of the reason for the contract being rejected and direct the parties to attempt to address the reasons for rejection in a revised contract within a specified period not to exceed ninety (90) days. R.I. Gen. Laws § 39-26.1-3(b).

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3.2 ~~Bidders~~Bidders' Conference; Bidder Questions; Notice of Intent to Bid

A ~~Bidders~~Bidders' Conference will be held for interested persons approximately ~~two (2)~~three (3) weeks ~~after~~from the ~~final~~date of this RFP ~~document is, and notice will be~~ posted on the RFP website. The purpose of the ~~Bidders~~Bidders' Conference is to provide the opportunity to clarify any aspects of the RFP. Prospective bidders may submit questions about

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the RFP prior to the ~~Bidders~~Bidders' Conference. National Grid will attempt to answer questions submitted prior to and during the ~~Bidders~~Bidders' Conference. Although National Grid may respond orally to questions posed at the ~~Bidders~~Bidders' Conference, only written answers that are provided in response to written questions will be official responses.

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National Grid will also accept written questions pertaining to the RFP following the ~~Bidders~~Bidders' Conference up to the date provided in Chart 1. Both the questions and the written responses will be posted on the National Grid website (without identifying the person that asked the question).

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Prospective bidders are also encouraged to submit a Notice of Intent to Bid form ~~within seventeen (17) days of issuance of~~by the RFP date provided in Chart 1. The Notice of Intent to Bid form is attached as Appendix A to the RFP. National Grid will provide any necessary updates by email regarding the RFP to prospective bidders who submit a Notice of Intent to Bid. Persons that submit a Notice of Intent to Bid are not obligated to submit a proposal, and persons who do not submit a Notice of Intent to Bid are not prohibited from submitting a bid.

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3.3 Preparation of Proposals

Each bidder shall have sole responsibility for carefully reviewing the RFP and all attachments and for thoroughly investigating and informing itself with respect to all matters pertinent to this RFP and its proposal, including pertinent ISO-NE tariffs and documents. Bidders should rely only on information provided in the RFP and any associated written updates when preparing their proposal. Each bidder shall be solely responsible for and shall bear all of its costs incurred in the preparation of its proposal and/or its participation in this RFP.

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3.4 Submission of Proposals; Confidentiality Bidders

If information contained in the proposal is confidential, bidders must submit one (1) original in a loose leaf binder and one (1) bound copy total of their proposal as well as six (6) USB flash drives, three (3) CDs, with the entire contents public version of the proposal and three (3) with the confidential version of the proposal -- to the Official Contact Bids listed in Section 3.5, below. For it to be eligible, National Grid must be submitted receive a bid by 5:12:00 p.m. eastern prevailing time (i.e., noon), Eastern Prevailing Time on the due date for proposals set forth in Section 3.1, above. Fax or email submissions will not be accepted. National Grid shall will reject all any proposals received that it receives after the deadline.

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Each proposal shall contain the full name and business address of the bidder and bidder's contact person and shall be signed by an authorized officer of the bidder. ~~Bidders may sign the original proposal and include a copy of the signature page with the remaining proposal.~~

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The public version of the bid will be posted to the RFP website that is provided in Section 3.5, below. Each proposal must contain the full name and business address of the bidder, and the bidder's contact person, and the bid must be signed by an authorized officer or duly authorized representative of the bidder. Bidders must clearly identify sign the original proposal and include copies of the signature page with the proposal. The full name and business address of the bidder must be included in the public version of the proposal(s). The public version of the bid should include the words "Public Version" to alert the recipients that the version may be publicly posted. The public proposals must be complete in all respects other than the redaction of confidential information.

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With regard to completeness, “complete” proposals must include a properly completed Certification, Project and Pricing Data (“CPPD”) Form, although at the bidder’s option the CPPD submitted as part of the public version may be a PDF instead of a working Excel file so long as the bidder submits the un-redacted CPPD form as a working Excel file with the confidential version of the proposal. If there is conflicting information between the information in the CPPD form and information in other forms, then the information in the CPPD will be used in the evaluation of the bid. Information elsewhere in the bid cannot be used by the bidder to modify or qualify any information in the CPPD.

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In addition, a bidder may redact the public version of the proposal to remove information that qualifies for confidential treatment pursuant to Rhode Island’s requirements. The recipients will not redact the public versions of proposals for the bidder. Anything submitted within the public version will be made AVAILABLE TO THE PUBLIC. If the bidder wishes to redact any information from the public version of the bid, the bidder must submit three (3) confidential versions of the proposal (also on USB flash drives) that will not be publicly posted on the RFP website. It is solely bidder’s responsibility to redact any portion of their Proposals. However, bidders bid that they wish to remain confidential in the public version of their proposal. For example, if the bidder considers the CPPD form to be confidential, it must redact the form from the public version of the proposal but include the CPPD form in the confidential version as a working Excel file, with all required information included. The confidential version of the proposal will be treated as confidential and sensitive information by the recipients, subject to the treatment of confidential information. Bidders should take care to designate as confidential only those portions of their Proposalsproposals that genuinely warrant confidential treatment. The practice of marking each and every page of a Proposalproposal as “confidential” is discouraged.

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National Grid agrees to use commercially reasonable efforts to treat the non-public information it receives from bidders in a confidential manner and National Grid will not, except as required by law or in a regulatory proceeding, disclose such information to any third party other than OER, and the Division and their respective agents and/or consultants (i.e., these state agencies will be independently reviewing the evaluation process), or use such information for any purpose other than in connection with this RFP, and it may use a non-disclosure agreement with these agencies and individuals; that, in any future regulatory, administrative or jurisdictional proceeding in which confidential information is sought, National Grid shall take reasonable steps to limit disclosure and use of said confidential information through the use of nondisclosure non-disclosure agreements or orders seeking protective treatment, and shall inform the bidders if that their confidential information has been sought in such proceeding.

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~~confidential information is being sought.~~

Notwithstanding the foregoing, in any regulatory proceeding in which such confidential information is sought and a request for confidential treatment is made to the PUC, National Grid shall not be responsible in the event that ~~it is determined that the request for treating information in a confidential manner is not warranted. Theits request for treating information in a confidential manner is not approved, and the information is shared with other parties or made public. Also, the bidder shall be responsible for filing, submitting, and/or providing to National Grid for such filing or submission, any motions or other pleadings (including associated affidavits, etc.) for protective orders or other relief to justify withholding the confidential information. Similarly, the bidders shall be required to use commercially reasonable efforts to treat all information received from National Grid in a confidential manner and will not, except as required by law or in a regulatory proceeding, disclose such information to any third party; provided, however that if such confidential information is sought in any regulatory or judicial proceeding, the bidders shall take reasonable steps to limit disclosure and use of said confidential information through the use of non-disclosure agreements or requests for orders seeking protective treatment, and shall inform National Grid that the confidential information is being sought.~~

Bidders also should be aware that National Grid is required pursuant to Section 5.5 of the Regulations to disclose in its entirety each executed PPA submitted to the PUC, and the entire PPA shall be a public document. Finally, any Rhode Island state agency may be required to disclose confidential information in response to a public records request, in accordance with the “Access to Public Records Act,” R.I. Gen. Laws § 38-2-1 et seq.

In the event that a bidder’s confidential information is not afforded confidential treatment by a governmental agency or other entity exercising proper authority, the entities and individuals involved in the evaluation of bids shall not be held responsible, and their employees, agents, and consultants, shall be held harmless for any release of confidential information as long as reasonable efforts to protect the information have been followed. In any event, each entity and individual involved in the evaluation of bids, as well as their employees, agents, and consultants, shall be held harmless for any release of confidential information made available through any public source by any other party.

During the evaluation of bids, ISO-NE will, and other authorities may, be requested to provide information to National Grid, OER, and the Division concerning proposals as part of the proposal evaluation process. Information classified as Critical Energy Infrastructure Information (“CEII”) will only be shared with National Grid, OER, and the Division who are cleared to receive CEII by ISO-NE or any applicable other authorities. By participating in this RFP, bidders agree that ISO-NE and the other authorities may release information related to the projects which may otherwise be considered confidential under the relevant rules or policies of such organizations, to the entities and individuals involved in the evaluation of bids.

The bidder shall provide written confirmation of its consent for the sharing of this information as part of the bidder certification form, and, if requested by National Grid, the bidder shall specifically request that ISO-NE and/or any of the other authorities provide this information to the entities and individuals involved in the evaluation of bids and shall pay any costs imposed by ISO-NE or any of the other authorities associated with providing that information. Failure to comply with this request will result in disqualification of the bid. The entities and individuals involved in the evaluation of bids will treat the information provided as confidential, as described above, in accordance with the policies and practices described within this RFP.

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3.5 Official ~~Contact Website and Contacts~~ for the RFP; ~~Other Contact Persons~~

The official RFP website is: <https://RICleanEnergyRFP.com>. All updates and notifications will be posted to the website.

Each bid must be submitted as three public versions and three confidential versions, and should be delivered marked as such on separate USB flash drives. All copies of the proposal should be sent submitted to the attention of the Official Contact for National Grid for which a proposal is being made at the address listed below:

~~Corinne DiDomenico~~

~~Clean Energy RFP Manager, Environmental Transactions,
Energy Procurement, 2nd Floor,
National Grid
100 East Old Country Road
Hicksville, NY 11801
(516) 545-5435~~

Any questions or correspondence regarding the RFP should be sent to the Official Contact at following email address: corinne.didomenico@nationalgrid.com. ~~TheCleanEnergyRFP@nationalgrid.com~~. However, only bidders may send questions and correspondence to the Official Contact for this RFP. Any comments, questions, or information sent to the Official Contact by non-bidders will not be considered by National Grid. Members of the media should direct their communications to an official National Grid spokesperson.

Also, bidders should copy the following recipients should be sent copies by email of such comments or on any questions or correspondence:

~~James Calandra, james.calandra@nationalgrid.com
Renewable Contracts, renewablecontracts@nationalgrid.com~~

~~Thomas Kender: Thomas.Kender@nationalgrid.com
Omar Muneeruddin: Omar.Muneeruddin2@nationalgrid.com~~

3.6 Organization of the Proposal

Bidders are required to organize their proposal consistent with the contents of the Response Package in Appendix B. The organization and contents of the proposal should be organized as follows:

1. Proposal Certification Form
2. Proposal Summary/Contact Information
3. Executive Summary
4. Pricing Information and Schedules
5. Project Operational Parameters
6. Energy Resource Plan

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7. Financial/Legal
8. Siting and Interconnection
9. Environmental Assessment and Permit Acquisition Plan
10. Engineering and Technology
11. Operations and Maintenance
12. Project Schedule
13. Project Management/Experience
14. Alternatives
15. ~~Direct~~ Economic and Environmental Benefits to Rhode Island

3.7 Modification or Cancellation of the RFP and Solicitation Process

Following the submission of proposals, National Grid may request additional information from bidders at any time during the process. Bidders that are not responsive to such information requests may be eliminated from further consideration. Unless otherwise prohibited, National Grid may, at any time up to final award: postpone, withdraw and/or cancel this RFP; alter, extend or cancel any due date; and/or, alter, amend, withdraw and/or cancel any requirement, term or condition of this RFP, any and all of which shall be without any liability to National Grid.

15. By submitting a proposal, a bidder agrees that the sole recourse that it may have with respect to the conduct of this RFP is by submission of a complaint or similar filing to the PUC in a relevant docket pertaining to this RFP.

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The Narragansett Electric Company d/b/a National Grid's
Solicitation of Long-Term Contracts Pursuant to R.I. Gen Law § 39-26.1 *et seq.*
Docket No. 4822
Responses to Commission's First Set of Data Requests
Issued on May 18, 2018

PUC 1-17

Request:

Please identify material differences between the proposed solicitation and the solicitation conducted pursuant to the PUC's approval in Docket No. 4570.

Response:

There are significant material differences between the draft RFP in this proceeding and the 2015 three-state RFP (2015 RFP) approved by the Commission in Docket No. 4570, resulting in a complete redline. Some examples of major differences would include:

- Staff of the New England States Committee on Electricity assisted the Soliciting Parties (defined below) in the development of the 2015 RFP as a facilitator, but they were not involved in evaluation or selection;
- The 2015 RFP solicited bids for renewable energy and/or large-scale hydroelectric supply and/or transmission;
- The 2015 RFP was jointly issued by Soliciting Parties located in three states (Massachusetts, Rhode Island, and Connecticut), each with their own state statutory requirements for renewable energy bids and contracts: the Connecticut Department of Energy and Environmental Protection; Fitchburg Gas and Electric Light Company, d/b/a Until, Massachusetts Electric Company and Nantucket Electric Company, d/b/a National Grid, NSTAR Electric Company and Western Massachusetts Electric Company, each d/b/a Eversource Energy (together, the Massachusetts EDCs); and the Company;
- In addition, the Evaluation Team included: The Connecticut Light & Power Company, The United Illuminating Company, the Connecticut Procurement Manager, the Connecticut Office of Consumer Counsel, the Connecticut Office of the Attorney General, the Massachusetts Department of Energy Resources and the Massachusetts Attorney General's Office; the Rhode Island Division of Public Utilities and Carriers (Division); the Rhode Island Office of Energy Resources; and one Evaluation Team Consultant responsible to the entire Evaluation Team;
- The Selection Team consisted of: the Massachusetts EDCs, with the DOER as an advisory participant; the CT DEEP, acting in consultation with the Connecticut Procurement Manager, the Connecticut Office of Consumer Counsel, and the Connecticut Office of the Attorney General; and the Company, in consultation and coordination with the Division and OER; and
- The 2015 RFP contained different pricing requirements for energy supply and transmission, and allowed a performance-based tariff containing a qualified clean energy delivery commitment.

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PUC 1-18

Request:

Are projects in which National Grid (any division or affiliate) has a financial interest eligible to respond to the solicitation? If so, what requirements in the proposal and evaluation will assure only commercially reasonable proposals and negotiations would occur?

Response:

The draft Request for Proposals seeks proposals for the supply of energy as well as Renewable Energy Certificates and related attributes from eligible renewable energy projects under one or more long-term power purchase agreements.

It is possible that a regulated or unregulated affiliate of the Company could be involved in a project to supply energy and RECs to the Company under a long-term contract. However, the Company is developing a Standard of Conduct and a roster of Company personnel who will be involved with the evaluation of bids, similar to those used in the solicitation processes conducted under Section 83(c) and (d) of the Green Communities Act in Massachusetts, so that there is no sharing of confidential information and no appearance or actual advantage to any regulated or unregulated affiliate of the Company during the solicitation and/or evaluation process. For the purpose of transparency, the Company plans to post the roster for public access on the RFP website. Additionally, in past RFPs where an unregulated affiliate of the Company has been involved as part of a submitted bid, the Company has provided regular internal Standard of Conduct reminders to all individuals on the roster.

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PUC 1-19

Request:

Does the solicitation or review process have any safeguard to control collusive bidding?

Response:

To summarize one requirement of the Long Term Contracting Standard, the PPA must be commercially reasonable, and pricing under such contract(s) must be below the forecasted market price of energy and RECs over the term of the proposed contract. See, e.g., R.I. Gen. Laws §§ 39-26.1-1 and 39-26.1-3(f); Section 4.1 of the Regulations. While two or more bidders could collude to mutually inflate their pricing, their bids would still have to meet this standard in order to be selected. Also, other non-colluding bidders could undercut the inflated pricing. That is a key reason to hold an open and competitive solicitation.

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PUC 1-20

Request:

Who is on the review team, and what roles will each individual or entity have?

Response:

The Company is still forming its evaluation team, which will be responsible for the review and selection of bids. The Company is likely to draw on its employees and consultants who have recent prior experience evaluating proposals for long-term contracts for renewable energy from the perspective of various specialties: energy procurement; legal; siting; engineering; permitting, etc. The Company has retained TCR as its consultant to develop the evaluation protocols and conduct the modeling.

In addition, the evaluation of bids will be conducted by the Company in consultation with the Office of Energy Resources and the Division of Public Utilities and Carriers.

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PUC 1-21

Request:

Who is on the selection team, and what roles will each individual or entity have?

Response:

National Grid's evaluation team will select proposals for PPA consideration and negotiation. As stated in RFP Section 1.2, the amount of energy and RECs procured in this solicitation will depend entirely on National Grid's evaluation of the proposals submitted and National Grid's judgment as to whether there is value in selecting additional projects for the benefit of customers. National Grid is not legally obligated to execute PPAs for more than its minimum long-term contract capacity, but may do so voluntarily.

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PUC 1-22

Request:

Is there a team identified for competitive negotiation after potential winning bids have been selected? If so, who is on this team, and what roles will each individual or entity have?

Response:

Post-selection, members of National Grid's evaluation team will proceed with contract negotiations, supported by internal and external legal counsel specializing in commercial contracts. Their objective will be to negotiate long-term contracts that are in the best interests of the Company's customers.

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PUC 1-23

Request:

Given two projects with identical characteristics except for price, is there any part of the review process outlined in the solicitation that guarantees the lower-priced project will be selected over the higher-priced project?

Response:

As explained in the RFP, the evaluation considers the costs and benefits of each project or a portfolio of projects. Therefore, the selection is not based solely on cost.

PUC 1-24

Request:

What energy-, REC-, and other product-forecasting models will be used in the review? Please explain which of the following evaluation processes used different models, and why:

- a. Docket No. 4780 Power Sector Transformation
- b. Docket No. 4775 Long-term Contracting Recovery Factor
- c. Docket No. 4764 Review of Power Purchase Agreements
- d. Docket No. 4755 2018 Energy Efficiency Program
- e. Docket No. 4574 Review of Copenhagen Wind Farm Power Purchase Agreement

Response:

The Company intends to use the ENELYTIX model employed by the consulting firm of Tabors Caramanis and Rudkevich for bids evaluated in response to the draft Request for Proposals. The Company intends to leverage and build upon the modeling work completed by TCR in evaluation of bids received in response to last year's solicitations for clean energy resources and offshore wind, respectively, which were conducted in Massachusetts by the Company's affiliate and others, pursuant to the requirements of the Massachusetts Green Communities Act, Sections 83 (c) and 83 (d), enacted in 2016.

The ENELYTIX model platform uses a market simulator with three modules: (1) Energy and Ancillary Services; (2) Capacity Expansion, which includes installed capacity, renewable energy certificates, and greenhouse gas emissions control requirements; and (3) the ISO-New England Inc.'s Forward Capacity Market, which projects FCM clearing prices. The model projects energy prices at the nodal level, which includes the effects of dispatching the evaluated projects at the point of interconnection. Inputs will include planned generation retirements and additions, and the consultant will model the existing and planned transmission topology. The model will include ISO-NE's load forecasts plus fuel price forecasts compiled by TCR, as well. ENELYTIX is capable of examining both direct and indirect costs and benefits, which is a level of complexity beyond a comparison of Power Purchase Agreement prices and a market price forecast. This additional complexity is more clearly justified for larger projects, which have a larger relative impact.

- a. REC prices and wholesale energy prices in the Power Sector Transformation proceeding are derived from the "Avoided Energy Supply Costs in New England: 2015 Report

Update,” 2015 Report (the “2015 AESC Study”), which was sponsored by a group of electric utilities, gas utilities, and other efficiency program administrators. The report was prepared by TCR. The 2015 AESC Study provides projections of marginal energy supply costs that will be avoided due to reductions in the use of electricity, natural gas, and other fuels resulting from energy efficiency programs offered to customers throughout New England.

While the focus of the analyses undertaken in the PST had a different objective from procuring long-term contracts with renewable resources, the modeling system that was used for the PST proceeding and the modeling system to be used for this future procurement are the same: ENELYTIX. Also, the data structures are similar. Some differences account for changes in both generation and transmission topology that have occurred in the interim or are known to be occurring in the near term.

- b. With regard to the PUC's proceeding on the Long-term Contracting Recovery Factor, the market energy proxy is based on NYMEX electricity futures prices. The REC proxy value is based on the Company's most recent market estimate. The most representative near term projections are important for this application,
- c. With regard to the PUC's proceeding on PPAs, TCR's nodal electric market simulation model known as Ventyx ProMod was utilized in the review.
- d. With regard to the PUC's proceeding on energy efficiency, the 2015 AESC Study was the source for energy and REC forecasts prepared by TCR for the Avoided Energy Supply Component Study Group. The 2015 AESC Study was sponsored by all of the electric and gas energy efficiency program administrators in New England and is designed to be used for cost effectiveness screening for energy efficiency plans. The 2015 AESC Study projects marginal energy supply costs that will be avoided due to reductions in the use of electricity, natural gas, and other fuels resulting from energy efficiency programs offered to customers throughout New England.

While the focus of the analyses undertaken in the 2015 AESC Study had a different objective from procuring long-term contracts with renewable resources, the modeling system that was used in that study and the modeling system that will be used for this future procurement are the same: ENELYTIX. Also, the data structures are similar. Some differences account for changes in both generation and transmission topology that have occurred in the interim or are known to be occurring in the near term.

- e. A forecast of energy and REC prices was developed by ESAI in May 2013 for use by the Massachusetts electric distribution companies, including the Company's Massachusetts affiliate, in evaluating bids received in a solicitation conducted under Section 83(a) of the Green Communities Act, and this forecast was used in in the PUC's proceeding on the

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Copenhagen PPA. In developing the forecast, ESAI used the AURORAxmp model, which developed energy prices at the ISO-NE load zone level, and included a representation of existing and planned transmission topology as well as generation retirements and additions. ISO-NE load forecasts were used, and fuel price forecasts were developed by ESAI. A separate forecast of REC prices was developed using an ESAI proprietary model that projects prices as a fraction of alternative compliance payments based on the balance of supply and demand. The PPA prices were compared with the forecast over the term of the contract.

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PUC 1-25

Request:

Will the evaluation consider price suppression effects on the REC, energy, and capacity markets in evaluating contracts? Will the evaluation consider the net cost or benefits to the existing portfolio of products purchased through Long-Term and Distributed Generation Standard Contracts and the Renewable Energy Growth Program? Will the evaluation consider the net costs and benefits for existing net metering customers in Rhode Island?

Response:

The evaluation team will consider the price lowering effects for the REC and energy markets in evaluating and comparing proposed projects. The evaluation team will not evaluate changes to capacity market prices, as capacity is not being procured as part of this solicitation, and, in any case, the addition of renewable resources to the system, while expected to lower energy prices, is not expected to lower capacity market prices over the long run. The evaluation will not consider any net cost or benefits to products purchased through Long-Term and Distributed Generation Standard Contracts and the Renewable Energy Growth Program. The evaluation will not consider the net costs and benefits for existing net metering customers in Rhode Island.

PUC 1-26(a)

Request:

Will the solicitation gather information to evaluate all the costs and benefits in the RI Benefit-Cost Test, as enumerated in the PUC's Guidance Document adopted in Docket No. 4600-A? Please identify any costs and benefits for which information will not be collected. Please identify any costs and benefits for which information will be collected, but that will not be used for evaluating projects.

Response:

On April 5, 2017, the Rhode Island Docket No. 4600 Working Group submitted its final report to the Commission. The Report at 6 contained a new Rhode Island-specific "Benefit-Cost Framework" that includes thirty-four categories of costs and benefits and fifty-three different drivers of costs or benefits. The Report at 6 explained that these drivers "are key factors that will affect the value of the associated cost or benefit in the context of specific plans or deployments," and acknowledged that "further work needs to be done on the Framework" over time, as the PUC and parties to dockets gain experience in applying it.

The Report at 10-11 stated that the Framework should be used to evaluate:

- Energy efficiency programs
- Demand response programs
- Distributed generation programs, such as the Renewable Energy Growth Program and the Rhode Island net metering provisions
- Different distributed energy resource programs against each other
- Alternative rate designs
- Major proposed distribution capital investments
- Benefits and costs of conversion to advanced metering functionality, taking into account the full range of potential opportunities that advanced metering functionality could enable
- Dynamic portfolio optimization (eventually).

The Company's obligation under the Long Term Contracting Standard for Renewable Energy was not included on the list mentioned above, and it cannot be fulfilled through an alternative means. R.I. Gen. Laws § § 39-26.1-3(d). In addition, the LTCS statute and regulations state that a winning bid must be "commercially reasonable," with prices that are below the forecasted market price of energy and RECs over the term of the proposed contract, and must provide substantial direct economic benefits to Rhode Island. R.I. Gen. Laws § 39-26.1-1, § 39-26.1-3(f), and § 39-26.1-5(e); Sections 4.1 and 5.2 of the Regulations.

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PUC 1-26(b)

Request:

What objective evaluation criteria, if any, has been established for non-price or non-cost factors? Please explain how each was determined for including in the evaluation process.

Response:

The non-price criteria that are listed in RFP Section 2.3.2, "Initial Non-Price Evaluation," have been established. Other than contract exceptions, the non-price evaluation criteria are designed to assess the likelihood of a project coming to fruition based on various factors that are critical to successful project development. The criteria provide an indication of the feasibility and viability of each project, and the likelihood that the project will meet the proposed commercial operation date. At the time of this submission, the criteria and their respective weight have not been finalized. The evaluation criteria and their weights are expected to be finalized before bids are received and opened. However, releasing such information to the market would compromise the integrity of this and future solicitations, and when filing long-term contracts for approval, the Company typically requests that the Commission afford the information confidential treatment. See, e.g., Docket No. 4764, Initial Filing, "National Grid's Petition for Protective Treatment of Confidential Information," referring to Support Tab D, Qualitative Bid Evaluation at pages 2-3, 6, 8.

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PUC 1-27

Request:

Please provide any evaluation criteria, including the weight of evaluation criteria, that will not be explicit in the RFP, and provide a justification for keeping this information from the market. Will these criteria and their weights be determined before bids are received and opened?

Response:

Please refer to the response to PUC 1-26(b).

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PUC 1-28

Request:

Referencing page 12, Section 2.2.4.2.2(b), regardless of any price adjustments, why would the Company continue to pay contract prices for energy that did not conform to the definition of a Renewable Energy Resource pursuant to the Renewable Energy Standard? In such instances, does the Company envision collecting any remuneration or performance incentive related to such non-conforming contracts?

Response:

Energy from contracts executed pursuant to the RFP will be renewable regardless of whether renewable energy certificates associated with such contracts conform with R.I.G.L. § 39-26-5. Accordingly, it would still be in the interest of customers for the Company to continue to pay for such renewable energy with the commensurate environmental benefits that are associated with such energy. The Company does envision collecting any remuneration or performance incentive authorized by the Commission associated with such contracts for the full term of such contracts because the underlying rationale for allowing such remuneration and/or incentives (e.g. balance sheet impacts and to encourage voluntary procurements of long-term renewable contracts) would not be affected if the RECs associated with such contracts at some point do not conform with R.I.G.L. § 39-26-5.

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PUC 1-29

Request:

For all Long-Term and DG Standard Contracts, please provide the Company's forecasted market prices at the time of the project's evaluation, and the actual value of the contracted products for any periods that overlap in time (i.e., do not include periods for which a price was forecasted, but no actual price exists because the project was not online).

Response:

The Company is no longer in possession of the forecasts that were used when projects were evaluated in previous solicitations for Long-Term Contracts (the most recent being filed in 2014), and no forecasts were used in the evaluation of projects under the DG Standard Contracts program.

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PUC 1-30

Request:

Please provide the Company's opinion on any trends in the performance of its forecasting methodologies related to the response above, including whether forecasts tend to over- or under-predict market prices.

Response:

Please refer to the response to PUC 1-29. Any number of forecasts may produce different results than the forecasts utilized by National Grid to analyze bids for various Long-Term Contracts solicitations. All forecasts are a view of future prices at a specific time and are based on the best information known at the time of the forecast and will change over time as conditions change.