Pioneer Community Energy Services Agreement

Facilities Committee
September 20, 2017
Background

- Placer County has formed a JPA for the purpose of establishing and managing a Community Choice Energy (CCE) program
  - Pioneer Community Energy (PCCE)
- PCCE has expressed an interest in taking certain scheduling and portfolio management services from NCPA
- NCPA has been working with PCCE regarding high level concepts of portfolio design and composition, but such advice has been limited in nature
- It is forecasted that PCCE will serve a majority of the load in Placer County
  - Excluding the City of Roseville
Services Agreement Structure

- NCPA is working to develop a draft Services Agreement for PCCE
  - Scope of Services
  - Defined Compensation
    - Escalated at 2% per year
  - Liability Protection and Limited Liability
    - Liability based on insurance limits
  - Collateral / Security Requirements
    - CAISO security requirements (estimated aggregate liability)
      - Est. Gross Amount: $1,000,000
      - Est. Net Amount: $210,000
    - NCPA security requirements (est. highest 3 monthly invoice amounts)
      - Est. Gross Amount: $12,625,525
      - Est. Net Amount: $2,759,790
  - Term
    - Initial Term of two (2) years (with automatic extension)
Scope of Services – Services Agreement

- Proposed Scope of Services
  - Scheduling Coordination Services
    - Submission of Bids
    - Outage Coordination
    - Meter Data Validation (Limited in Scope)
  - Control Center Services
    - Real-Time Monitoring and Coordination (Limited in Scope)
  - Portfolio Management and Optimization
    - Pre-Scheduling
    - Forecasting
    - Resource Management
    - Risk Management
Scheduling Coordinator Structure

- **SC Options**
  - **Option 1**
    - NCPA act as Scheduling Coordinator
      - Register new SCID with CAISO for PCCE scheduling
  - **Option 2**
    - NCPA temporarily act as Scheduling Coordinator, transfer SC obligations to PCCE Scheduling Coordinator when fully registered
      - Register new SCID with CAISO for PCCE scheduling under the NCPA SCA
      - Transfer PCCE load to PCCE SC portfolio when fully registered
  - **Option 3**
    - NCPA act as SC Agent on behalf of PCCE
      - PCCE to register as Scheduling Coordinator; NCPA to act as SC Agent

- **Recommendation**
  - Authorize Option 2 with transition to Option 3
    - Pending option selected, develop the proper level of protection to limit NCPA’s liability associated with PCCE CAISO transactions
**SMUD CCA Services Offering**

**Key Elements of SMUD Service Proposal:**

- SMUD proposing to front credit for CCAs
- SMUD will take title to energy project and power portfolio
- Direct SC services (no agent model)
- Full Suite (including call center and retail support services)

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**Valley Clean Energy Alliance (VCEA) and SMUD**

- VCEA Selected SMUD to provide CCA services
  - SMUD is excited to be involved with California CCA movement
  - Publicly owned, value driven mission alignment
- SMUD
  - Vertically integrated publicly owned utility in Sacramento
  - ~600,000 accounts, established for 70+ years
  - Focus on community investment and innovative customer energy solutions
- VCEA
  - CCE program in Yolo County, serves City of Davis, City of Woodland, and Unincorporated Yolo County
  - Mitch Sears, interim General Manager
  - ~65,000 accounts
  - Launch in June 2018 – 1 phase

**SMUD’s CCA Services**

- SMUD’s Comprehensive Services
  - Wholesale Energy Services
    - Procurement, SC, Settlements, Regulatory, Credit Sleeve, Enterprise Risk Management
  - Data Management and Call Center Services
    - Cloud based CRM/EDI, JD Power award winning call center and customer operations
  - Operational Services
    - Able to access SMUD operational services through hybrid cost + materials and fixed cost placement of staff on-site
    - Budgeting, planning, accounting, and other operational services
    - Access to planning function for Day-2 services, including DER planning
Compensation

- Proposed approach:
  - Develop an estimate of the cost of service using the Nexant Cost Allocation Model
  - Adjust the results of the estimate, as needed, to account for market alternatives

- Commission previously authorized NCPA’s General Manager to negotiate a PCCE cost of service within a defined range

- Staff are now seeking to modify the Commission authorization to delegate authority to NCPA’s General Manager to negotiate the cost of service with PCCE, within a predefined range
Modeling Assumptions - Nexant

- **Load**
  - Muni Load – 65,000 per year
  - Non-Residential Load – 600,000 per year
  - Residential Load – 600,000 per year

- **Contracts**
  - 3 24x7 power supply contracts (Energy, RPS, Capacity)
  - 1 On-Peak power supply contract
  - 1 Off-Peak power supply contract

- **Schedules**
  - DAM
    - 6 x 365 (1 Load and 5 Supply Contracts)
  - RTM (100 schedules)

- **Direct Assignments**
  - Forecasting: 5% of Direct Assignment
  - Resource Planning: 10% of Direct Assignment
  - Pre-Scheduling: 5% of Direct Assignment
  - Risk Management: 25% of Direct Assignment

- **Integrated Systems**: 3 IT Units (Load, Trades, System)
Model Estimate

- Based on Full Buildout of PCCE
  - $425,000 per year
  - Escalated annual at a rate of 2%

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<th>General Power Mgt</th>
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<th>Pool Allocation</th>
<th>System Integration</th>
<th>FY 2018 Power Mgmt Total Pwr Mgmt</th>
<th>Increase (Decrease)</th>
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Note: PM cost reductions shown for discussion purposes only; any revenues generated would be allocated back to members based on the adopted Commission revenue allocation policy.
Staff Proposal

- Based on the output of the Nexant Cost Allocation Model, define a preauthorized range in which the General Manager of NCPA may negotiate the amount of compensation for the Services rendered.

- Staff Recommendation:
  - Cost of Service
    - $425,000
    - Escalated at 2% per year
  - Negotiation Authority:
    - Plus / Minus 15% of model estimate
Next Steps / Timeline

- **Approval Process**
  - UD Discussion and Review (9/14/2017)
    - UD feedback was supportive of recommendations
  - Special Facilities Committee (9/20/2017)
  - Commission Review and Approval (9/29/2017)
  - Pending Commission Review and Approval (10/26/2017)

- **Integration**
  - Oct 2\textsuperscript{nd} – NCPA to begin process of registering new SCID
    - Internal database / software configuration
  - Oct 23\textsuperscript{rd} – Coordinate development and submittal of load forecast for CRRs and Resource Adequacy
  - Nov 15\textsuperscript{th} – Submission of RA demonstration
  - Jan 1\textsuperscript{st} – First day to schedule load
  - Within 6 months – complete PCCE SCID registration process and load migration (transfer)
Key Integration Activities

- Registration of new NCPA SCID (early Oct 2017)
  - No GMC costs until measured activity in the SCID
    - $1,000 per month once activated
- Coordinated development of RA load forecast
  - Assist PCCE with submission of RA load forecast to CPUC
  - CPUC submission of forecast to CEC (Late Oct 2017)
  - Will not result in direct CAISO costs
- Submission of PCCE RA Demonstration (Nov 15th)
  - At this point, NCPA could begin incurring costs from CAISO
    - Service Contract must be executed
- Load registration, assignment and association (to NCPA SCID)
  - Dec 2017
- Initiate scheduling services
  - Jan 2018
Recommendation

- NCPA staff seeks the Facilities Committee’s recommendation for Commission approval to:
  - (i) enable NCPA to develop and negotiate a Services Agreement under which NCPA may supply certain scheduling and portfolio management services to PCCE, as further described herein; and
  - (ii) to delegate authority to the General Manager of NCPA to negotiate the amount of compensation to be charged to PCCE for NCPA’s provision of Services, within a defined range as determined by the Commission, and as further described herein.
Questions / Comments