



NERA
ECONOMIC CONSULTING

PPL Electric Utilities Corporation Time-of-Use RFP (May 2019 Solicitation)

Wednesday, May 1, 2019

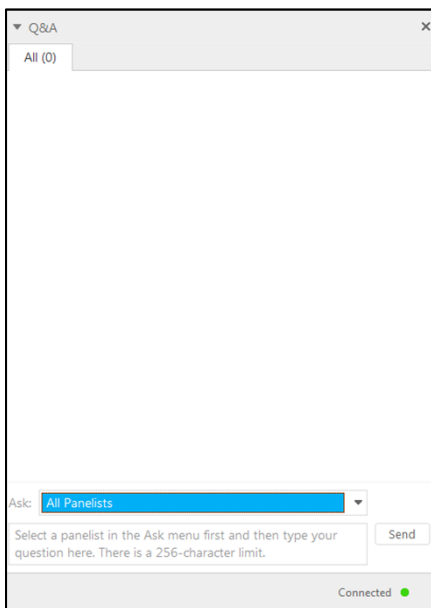


*Default Service
Procurement Plan*

**Jim Rouland (PPL Electric)
Ben Chee (NERA)**

Questions

- To submit questions to the presenters, **please locate the “Q&A” on the right hand side of your screen**, and select “All Panelists” in the “Ask” box; type in your question and click “Send” to submit your question



All presentation materials and Q&As will be posted to:
<http://www.ppldsp.com>

Disclaimer

Any statements herein describing or referring to documents and agreements are summaries only, and are **qualified in their entirety by reference to such documents and agreements.**

- **The governing documents are:**
 - the Commission’s Order dated May 17, 2018 related to PPL Electric’s Time-Of-Use Program in Docket No. P-2016-2526627, M-2016-2578051 and P-2013-2389572
 - Time-of-Use RFP Rules
 - Time-of-Use Supplier Master Agreement

**Please see the TOU section in the RFP website for complete documentation
<http://www.ppldsp.com/time-of-use>**

Agenda

- Scope of the Presentation
- Regulatory Background and Overview
- Information Release
- RFP Process Next Steps
- Product Design
- Bidding Process

Scope of Presentation

Multi-Solicitation Process

- **TOU RFP** is for load-following, full requirements products
- **Four (4) solicitations** planned between May 2019 and November 2020
 - May 2019 (first solicitation)
 - November 2019
 - May 2020
 - November 2020

RFP Elements Are Common Across Solicitations

- This Presentation is focused only on information specific to the **May 2019 Solicitation**
- A separate presentation with information common to all solicitations regarding the RFP process and the qualification requirements is provided on the RFP website under the “Documents” page

The screenshot displays a website interface with a left-hand navigation menu and a main content area. The navigation menu includes links for Home, Background Information, Announcements, Default Service RFP, Time-of-Use RFP (highlighted with a red box), RFP Results, and Documents (with a red arrow pointing to it). The main content area shows a breadcrumb trail: Home > Time-of-Use RFP > Documents. Below this is the heading 'Documents' and the sub-heading 'INFORMATION FOR GENERATION SUPPLIERS'. A list of documents follows: 'Bidder Information Materials' (with a sub-link 'Time-of-Use RFP Process and Requirements (.pdf)' and a red arrow) and 'Redline Documents' (with a sub-link 'Redline DS Supplier Master Agreement and TOU Supplier Master Agreement (.pdf)' and a red arrow).

Regulatory Background and Overview

The Time-Of-Use Program (TOU Program)

- **On June 1, 2017, PPL Electric filed a petition for approval of its TOU Program for the period through May 31, 2021, which is the end of PPL Electric's current DSP IV**
 - March 13, 2018: Joint Petition for Approval of TOU Program
 - May 17, 2018: Commission Order approving Joint Petition
 - February 13, 2019: Compliance filing for a revised TOU RFP and TOU SMA along with a proforma tariff
 - April 9, 2019: Secretarial Letter approving revised TOU RFP and TOU SMA

- **The TOU RFP is separate from the Default Service RFP**
 - TOU RFP is held twice annually after each Default Service RFP

TOU Is Not Offered for All Customer Groups

- **TOU service is a Full Requirements, Load Following Service**
 - Only customers in Residential & Small C&I are eligible
 - Affirmative election by customer is required

- **The following customers are not eligible to take TOU service:**
 - Large C&I Customers
 - Residential customers on PPL Electric's OnTrack Program – PPL's Customer Assistance Program
 - Virtual Net Metering customers
 - Lighting customers and unmetered GS-1 customers in the Small C&I Customer Group

Communication with Customers

- With the commencement of the TOU program, PPL Electric will be including an article in its **customer news letter “Connect”**, offering details about the program and how to sign-up
- Additionally, PPL Electric will have an updated **webpage** (on its external website) providing details about the program, the rates in effect at that time, FAQs, and details about signing up
- Customers can also call PPL Electric’s customer contact center and speak with a PPL Electric representative about the PPL Electric TOU Program

Summer Products Solicited for R and SC&I

- **Separate Bids for Residential and Small C&I**
- **Each Product has a 6-month supply period**

→ Summer: June – November (featured in this solicitation)

- On Peak Hours: Monday through Friday: 2:00 p.m. through 6:00 p.m. EPT, excluding weekends and PJM holidays.
- All other hours are Off-Peak Hours

→ Winter: Dec – May (not offered in this solicitation)

- On Peak Hours: Monday through Friday: 4:00 p.m. through 8:00 p.m. EPT, excluding weekends and PJM holidays.
- All other hours are Off-Peak Hours

Bid Sets the Off-Peak Price

- **Bid is % Discount Below Generation Portion of PTC**

Off-Peak Price = Gen. portion of PTC x (1 - % Discount)

On-Peak Price = Seasonal Multiplier x Off-Peak Price

TOU Supplier paid:

- Off-Peak Price for TOU Load during Off-Peak Hours
- On-Peak Price for TOU Load during On-Peak Hours

Net Excess Generation

- **Excess Generation** – Energy provided by a Net Metering Customer which exceeds consumption at customer's premise
- **Net Excess Generation** – Sum of Excess Generation in Month, measured separately for On-Peak hours and Off-Peak hours
- TOU Load is reduced by any Net Excess Generation
- TOU Supplier pays PPL Electric for Net Excess Generation:
 - that occurs during On-Peak hours at On-Peak Price
 - that occurs during Off-Peak hours at Off-Peak Price

Rate Translation

- A single supplier to serve TOU load of a given customer group (i.e., 1 supplier to supply TOU Residential, and 1 supplier to supply TOU Small C&I) – this results in a direct generation rate translation based upon the bid (no blended or pro-rated rate)
 - Example: A winning off-peak bid of \$50.00/MWh for TOU Residential translates to a \$0.05/kWh off-peak rate for TOU Residential customers
- The winning on-peak and off-peak rates are part of a price-to-compare equivalent TOU rate (i.e. include other PTC elements), including:
 - E-factor (over/under collection)
 - Administrative Charges
 - Merchant Function Charge (“MFC”)
 - Transmission Service Charge (“TSC”)
 - State Tax Adjustment Surcharge (“STAS”)
 - Gross Receipts Taxes (“GRT”)

Contingency Plan

- Contingency Plan is invoked if auction fails (i.e., PUC rejects a Bid or insufficient participation) or if a winning supplier defaults under the TOU SMA
- In the event the Contingency Plan is enacted, TOU Load will be included in the Default Service Load for the applicable period and served by Default Service Suppliers providing Default Service
- On-peak and off-peak rates will be calculated based upon pre-determined multipliers and based upon the generation rate of the PTC in effect during the TOU period
- Off-Peak Price shall be 90% of the generation portion of PTC
- Seasonal Multiplier is the same as the multiplier used in the bid – currently estimated at 162% (i.e., On-Peak Price = 1.62 x Off-Peak Price)

Information Release

Key Parameters

- **Generation Portion of Price-to-Compare**
 - Residential: \$ 51.10 / MWh
 - Small C&I: \$ 46.79 / MWh

- **Estimated Seasonal Multiplier for Summer Products**
 - 162% (or 1.62)
 - ➔ Same multiplier for Residential and Small C&I Products
 - On-Peak Price = Seasonal Multiplier x Off-Peak Price
 - Final Seasonal Multiplier will be confirmed in Qualified Bidder's Notification on May 6

RFP Process Next Steps

TOU RFP Schedule

TOU RFP Release	Monday, April 15
Bidder Qualifications Due – NOON EPT	Monday, April 29
Price-to-Compare (“PTC”) Release	Wednesday, May 1
Qualified Bidders Notified	Monday, May 6
Bid Assurance Collateral and SMA Due – NOON EPT	Friday, May 10
Bid Proposals Due – NOON EPT	Tuesday, May 14
PUC Decision	Thursday, May 16
Transaction Confirmation(s) Executed – 2 PM EPT	Monday, May 20

Bid Assurance Collateral & Pre-Signed TOU SMA

- Bid Assurance Collateral must be in the form of a **letter of credit** or **cash**
 - **\$75,000** per tranche
 - ➔ \$150,000 if bidding for both Customer Groups and \$75,000 for one Customer Group
 - Wire transfer instructions available in the online form
 - Standard form of LOC is available on the RFP website
 - ➔ Use only standard form or with acceptable modifications
 - ➔ Early submission provides time to deal with corrections
 - ➔ Final list of acceptable modifications will be posted **on May 7**
- **One scanned signed copy of the entire TOU SMA** must be received **by upload to the RFP website**, including the Form of Notice filled in with the appropriate contact information

Product Design

Bid Products

Customer Group	General Criteria	Delivery Period (Beginning on <u>June 1, 2019</u>)	Tranches to be Procured	Tranche Size
Residential	All Residential Customers	6 months	1	100%
Small Commercial and Industrial	< 100 kW annual peak demand	6 months	1	100%

- Large Commercial and Industrial, OnTrack customers in the Residential Customer Group, as well as lighting customers and unmetered GS-1 customers in the Small C&I Customer Group, are not eligible for TOU service
- Section 1.1.3 of the TOU RFP Rules provides a full description of rate schedules within each Customer Group

Suppliers Serve 100% of the TOU Load for the Customer Group

Supply is Full Requirements Service

- Full Requirements Service includes energy, capacity, ancillary services, certain transmission services, and AEPS requirements
- Full Requirements Service excludes certain non-market based transmission services
- ARRs are assigned to winning suppliers
- AEPS obligations reflected in updated Exhibit 2 to the SMA
- Delivery point: PPL_RESID_AGG

Full Requirements Service is Load Following

- Supplier for a Customer Group supplies 100% (a tranche) of TOU load for that Customer Group during the supply period
- Customers are free to switch out of TOU Program to take EGS service with appropriate notice to PPL Electric (and return to take Fixed Price Default Service)

Bidding Process

Submitting TOU Bid Proposals

- Bid Proposal Due Date
 - **10 AM – 12 PM (noon) EPT on Tuesday, May 14**

- One **Bid Proposal Spreadsheet** for each Product
 - Different spreadsheets for RES and SC&I products
 - All shaded cells on Spreadsheet must be completed

- Bid Proposal Spreadsheets **must be submitted online by electronic file transfer** to the PPL Electric secure server

Bid Is for Percentage Discount to Generation Portion of PTC

- Bid is for **% Discount** Below the Generation Portion of PTC

Example (*figures are illustrative only*)

<u>Solicitation Information</u>	
Generation Portion of the Price-to-Compare (US \$/MWh)	\$51.00/MWh
Multiplier (applied to Off-Peak Price to set On-Peak Price)	1.62
<u>Bid Information:</u>	
% Discount Below Generation Portion of PTC (2 decimals)	15.01%
<u>Resulting Price Information:</u>	
Off-Peak Price (\$/MWh) rounded down to nearest cent	\$43.34/MWh
On-Peak Price (\$/MWh)	\$70.21/MWh

$$51 \times (1 - 0.1501) = 43.34$$

$$43.34 \times 1.62 = 70.21$$

What Happens if Bid Assurance Collateral Is Insufficient ?

- Bids will be **removed** if Bid Assurance Collateral is insufficient
- If Bids are provided for both Customer Groups and the Bid Assurance Collateral is only sufficient for one Bid, then the RFP Manager will remove the Bid from the Customer Group where there is the most competition, as measured by the number of Bid Proposal Spreadsheets submitted for that Customer Group

By submitting a Bid Proposal, RFP Bidder authorizes the RFP Manager to modify Bid Proposal documents in this manner

Technical Difficulties

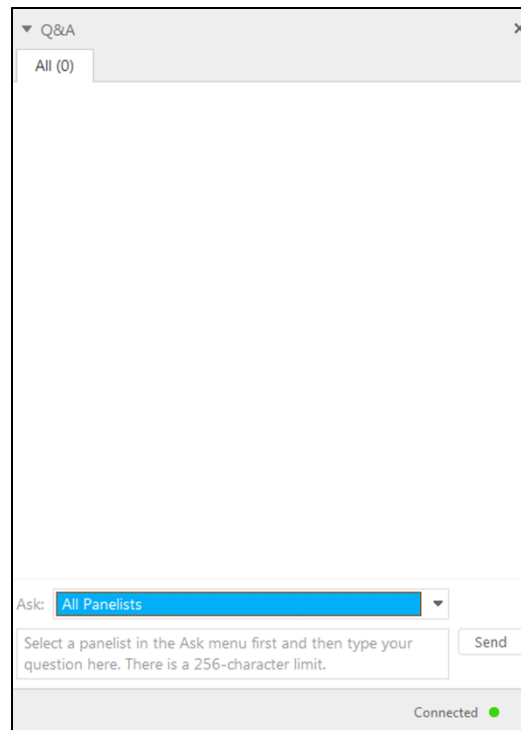
- If an RFP Bidder experiences technical difficulties, the RFP Bidder should call the PPL Electric RFP Manager directly at:
(215) 568-0200
 - PPL Electric RFP Manager will find an alternative method to ensure that all RFP Bidders who wish to submit Bids may do so
 - **RFP Bidders should use this backup method only in an emergency**
 - Bids submitted in this manner will not be disadvantaged, but Bids must still be submitted by the deadline

Bid with Greatest Discount Wins

- Bids for Residential Customer Group and for Small C&I Customer Group will be evaluated separately
- For each Customer Group
 - Winning bid is the Bid with the greatest percentage discount below the generation portion of the PTC
 - Tied Bids will be broken by random selection
 - Resulting Off-Peak Price based on the Bid will be rounded down to the nearest penny
- **If there are less than two (2) Bids received for a Customer Group, the result for that Customer Group is deemed to be rejected by the PUC**

Questions

- To submit questions to the presenters, **please locate the “Q&A” on the right hand side of your screen**, and select “All Panelists” in the “Ask” box; type in your question and click “Send” to submit your question



The screenshot shows a window titled "Q&A" with a close button (X) in the top right corner. Below the title bar, there is a tab labeled "All (0)". The main area of the window is empty. At the bottom, there is a section labeled "Ask:" with a dropdown menu currently set to "All Panelists". Below the dropdown is a text input field with the placeholder text "Select a panelist in the Ask menu first and then type your question here. There is a 256-character limit." To the right of the input field is a "Send" button. At the very bottom of the window, there is a status bar that says "Connected" with a green dot next to it.

Contact Us Through the RFP Website

ppl
PPL Electric Utilities

PPL Electric's Default Service Program

Home > Contact Us > Ask-a-Question

Ask-a-Question

Fields marked with an * are required

Name *

Company *

Phone

Email *

Question *

Fill out required fields and click "SUBMIT"

Ask-a-Question

Home

Background Information

Announcements

Default Service RFP

Time-of-Use RFP

Calendar

Data

FAQs

Contact Us

Register

Ask-a-Question

RSVP for Webcast

File Transfer

Qualification Form

All questions and answers are posted to the FAQ section of the RFP website without revealing the asking party