

NEPR

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Mr. Edison Avilés-Deliz
Chairman
Puerto Rico Energy Bureau
World Plaza Building
268 Ave. Muñoz Rivera
Nivel Plaza Suite 202
Hato Rey, PR 00918

RE: SESA's Comments on PREPA's Motion on Updated Procurement Plan Addressing the Second Renewable Generation and Energy Storage Resource Procurement Tranche; NEPR-MI-2020-0012

Dear Chairman Avilés-Deliz and Honorable Commissioners:

The Puerto Rico Solar Energy Industries Association Corp., d/b/a/ Solar and Energy Storage Association of Puerto Rico (hereinafter, "SESA") is an association that represents Puerto Rico's solar and energy storage industries. It advocates for solar and storage technologies as a central solution to the energy needs of Puerto Rico and promotes public policy that results in the acceleration of deployment of these important, life-saving technologies. It brings awareness and understanding of these technologies to both government policymakers, the public, and other stakeholders, and facilitates collectively beneficial collaboration.

The issuance of the Final Resolution and Order ("IRP Order") in case No. CEPR-2018-0001 regarding the Integrated Resource Plan ("IRP") of the Puerto Rico Electric Power Authority ("PREPA") was indeed a historical and watershed moment. As an intervenor and active participant in those proceedings, SESA congratulates and thanks this Honorable Energy Bureau for the measures it has taken to encourage success in the ongoing and future procurement tranches via active oversight, as established in its IRP Order¹. SESA recognizes with gratitude the oversight actions taken by the Bureau thus far in regards the first procurement tranche.

GENERAL COMMENTS AND CONCERNS, AND REQUEST FOR CONSIDERATION OF CHANGE OF "TARGET DATE" OF JUNE 30TH FOR TRANCHE 2 RFP

We come again before this Honorable Energy Bureau in response to PREPA's filing on June 15, 2021 in the instant docket (*Motion to Submit Updated Procurement Plan Addressing Plans for the Second Renewables Generation and Energy Storage Resource Procurement Tranche*, hereinafter "PREPA's Motion of June 15"). In our view, the content of this filing concerns multiple red flags and specific questions that are not possible to receive public input and PREB

¹ See Resolution and Order of December 8, 2020, Case No. NEPR-2020-MI-0012, page 5.

resolution before June 30th. Thus our overall request is that PREB urgently consider of amending the portion of its June 3, 2021 order which states:

“...The Energy Bureau DETERMINES that June 30, 2021, shall be the target date for issuing the Tranche 2 RFP for renewable generation and energy storage resources contemplated by PREPA's Approved IRP and Modified Action Plan...”

SESA requests that PREB issue a new order clarifying that PREPA is not allowed to issue the Tranche 2 RFP until such time as PREB has a PREB-approved a Procurement Plan for Tranche 2 in place, and that the PREB's process for considering PREPA proposals for and changes to a Procurement Plan include ample time for active stakeholder input and participation, for both a verbal and written opportunity for Q&A between stakeholders and entities involved in RFP issuance, and a through understanding among all parties involved of the real-world lessons learned from, and implications of the results of, the Tranche 1 procurement.

We further urge to consider the negative ramifications that could ensue as a result of an actual issuance of an actual formal RFP for Tranche 2 on or before June 30th. At this point it seems impractical that an effective Tranche 2 RFP could be issued by June 30th, given that no process has yet occurred to understand and implement the results of the Tranche 1 RFP process, consider and evaluate the myriad of questions, discrepancies, and apparent red flags included in PREPA's proposed Procurement Plan for Tranche 2, and formulate clear intentions for the many important details that arose during the Tranche 1 RFP process as well as the issues PREPA raises within its proposed Procurement Plan for Tranche 2. If a hastily issued formal RFP is issued without these issues sufficiently worked through, it could result in some combination of bidder confusion, low bidder participation, delays, or even revocation of the formal RFP.

In brief, we urge PREB to consider whether it would be in the best public interest to slow down, evaluate and implement lessons learned from Tranche 1 at this point in the process and ensure a solid, approved Procurement Plan is in place for Tranche 2 before the formal RFP for Tranche 2 is publicly launched.

SPECIFIC COMMENTS AND REQUESTS FOR THE HONORABLE ENERGY BUREAU TO TAKE INTO CONSIDERATION

The PREPA filing from June 15th includes a myriad of concerning elements. The specific items listed below are not a comprehensive list, but rather a partial list of some of the most concerning elements of the filing.

1. PREPA requests to discard all Virtual Power Plant (VPP) bids from Tranche 1, and also not include VPPs in Tranche 2, and implies a request to not include them in Tranche 3 or

Tranche 4 either. This request appears to fly in the face of strong, clear, consistent guidance and orders within the IRP, and in multiple subsequent PREB orders, which order VPPs to be included in every tranche of the required RFPs, and in fact be given a very high priority for multiple reasons.

We emphasize the individual storage and solar systems that comprise VPPs to provide potentially life-saving uninterrupted electricity during island-wide blackouts. We also emphasize the potential for VPPs to prevent such load-shedding and power blackouts by providing very valuable grid services which reduce demand on the grid at peak usage and emergency times. Some of such grid services require advanced metering and other technologies that are not yet deployed in Puerto Rico, but many grid services are possible today with the over 10 thousand distributed storage systems that are already deployed, the thousands more being currently deployed, and the many 10's of thousands that could be deployed over the coming months. Without a structured utility-interactive paradigm, such distributed storage system provide a very high amount of value in their role of supplying backup power to inhabitants of the homes, businesses and critical facilities within which they are installed, however they provide little to no value to the overall grid.

One example of VPP deployment that could exist in the short term, both for already-deployed as well as soon-to-be-deployed distributed storage systems, is simply compensating customers in exchange for the ability to access their batteries to supply a pre-arranged amount of kWh of power at a pre-arranged kW rate for an agreed upon amount of time, an agreed upon number of days, during PREPA's regular peak usage times. This type of a simple arrangement, were it in place today, could have helped avoid blackouts that have occurred on the island in recent days.

For all of these reasons – and in direct contrast to PREPA's assertion that VPPs should be not considered for the next two years, SESA firmly agrees with PREB's previous orders that Virtual Power Plants be given a high priority to move forward quickly in Puerto Rico.

To add even more context to this important matter, we urge this Honorable Energy Bureau to reject PREPA's request, as it directly contradicts specific rulings previously issued by the Bureau. The reasons advanced by PREPA for the proposed delay – that the investments required to purchase the system would be part of the 10 Year Infrastructure Plan submitted to FEMA and that PREPA has no control over it nor its funding – would shelve any attempts to incorporate VPP resources to PREPA's system for the foreseeable future, not just Tranches 1 and 2.

Procurement Plans are the roadmaps by which PREPA implements the directives of this Energy Bureau as set forth in the IRP Order, for PREPA to comply with the Renewable Portfolio Standard ("RPS") of 40% renewable energy by 2025, as required by Act 17-2019, as amended. The IRP Order is a final, firm and unappealable Energy Bureau norm that mandates that competitive procurements for renewables and storage resources specifically include Virtual Power Plants ("VPPs"). In fact, VPPs are central to these RFPs and the Energy Bureau has

noted, unequivocally that all resources and storage amounts can be aggregates of smaller installations, so VPPs are explicitly allowed and able to compete on fair terms; and, combined or individual bids for renewable generation, battery, or combinations of renewable generation and battery resources are permitted." See, Resolution and Order of 8 December 2020, NEPR-MI-2020-0012, p. 2.

Moreover, and in even starker terms this Bureau has already determined that:

"Each procurement tranche must include battery storage capacity resources to contribute to meeting peak load and ancillary service requirements, at utility or distributed scale. Minimum quantity thresholds as considered by PREPA for contracting with proposing parties apply, but PREPA SHALL allow those minimum quantities to be met through the provision of battery storage capacity at multiple locations and sites, for both utility-scale and VPP resources. d. Distributed generation and distributed storage resources (such as VPP) and utility scale resources are eligible at quantities indicated for tranche 1 and all tranches. **PREPA's request to delay DERs and VPP procurement is DENIED, given the letter and spirit of the IRP Order explicitly designed to encourage DERs and VPPs. Enabling the existing VPP storage resources should be at the top of PREPA's priority list given its potential to facilitate further renewable integration and lower grid operating costs. Enabling new VPP capacity and distributed energy resources in early tranches will better enable PREPA to meet the requirements of Act 17-2019 and the IRP Order regarding capacity and energy and mitigate possible transmission or system constraints". See, Resolution and Order of 8 December 2020, NEPR-MI-2020-0012, p. 7 (emphasis provided.)**

In light of the foregoing, SESA recommends that PREPA's request be denied, and we request PREB to reiterate and provide strong oversight to ensure that VPPs continue to be a central priority of the ongoing and future RFP tranches.

SESA also requests that careful consideration be given to the myriad of problems experienced with the VPP components of the Tranche 1 RFP, sufficient that in PREB's judgment, the VPP component of all future tranches of RFP procurements include sound planning for quick VPP deployment aimed at providing life-saving power during blackouts, and also helping to avoid blackouts in Puerto Rico.

2. PREPA includes in their proposed Procurement Plan for Tranche 2 a recommend, that appears to be phrased as a request, that special attention or prioritization be given to Wind resources in Tranche 2 of the RFPs. They state in their June 15th filing (Pages 5 and 6) the following (underlining added for emphasis):

“Lessons Learned from Tranche 1 RFP Process

While PREPA has not commenced its evaluation of Proponent proposals submitted through the Tranche 1 RFP process as of the date of this Procurement Plan, PREPA has identified the following three (3) lessons learned from the Tranche 1 RFP process to date:

- a. (Peak Irradiance Period Curtailment) Notwithstanding the parallel scale-up of energy storage resource capacity connected to the T&D System, the rapid scale-up of utility-scale renewable energy resources within the Puerto Rico generation mix likely means that PREPA will need to curtail the dispatch of material quantities of energy sourced from PV energy resources in the future, primarily during the peak irradiance levels between 11 am and 3 pm each day, which will expose PREPA to the risk of accruing take-or-pay liability under each Solar PPOA (as defined below) (the “Peak Irradiance Period”). To mitigate such deployment of strategies for shifting daily energy production to either side of, and enhancing demand during, the Peak Irradiance Period, including:
 - i. deploying energy storage resources in accordance with the amounts and timeline specified by the Energy Bureau for Tranches 1-6;
 - ii. taking actions to support the development and selection of non-solar renewable energy resources, such as wind power projects, which make available material quantities of energy for dispatch into the T&D System outside of the Peak Irradiance Period. This may require (A) carve-outs for wind turbine projects in future RFP Tranches, and/or (B) the prioritization during the RFP selection process of non-solar renewable energy resources such as wind power projects...”
 - iii. prioritizing (during the RFP selection process) VPP resources, which provide demand-build services during the Peak Irradiance Period; ...”

SESA agrees with PREPA's recommendation iii. to prioritize VPP resources, for all of the previously stated reasons. However we note that this recommendation is in direct contrast with PREPA's request on Page 6 of this same filing, which states:

“For the foregoing reasons, PREPA recommends suspending the procurement of VPP resources as part of the RFPs for Tranche 1 and Tranche 2 until such time as PREPA purchases the GCCC System. “

We also agree with the stated point number i., which focuses on the important on meeting the requirements already included in the IRP, and in PREB orders, for energy storage resources to be included and deployed.

In fact, we draw attention to the question asked and answer supplied by PREPA on Pages 17 and 18 of the February 16th, 2021 filing in this docket.

Question (SESA): Subtracting out all known installed inverter-based renewable energy today, please clarify the amount of additional MW of inverter-based renewables could be installed on the current grid as it is today.

Answer: The 1000 MW renewable number will include system upgrades and will utilize the 500 MW Battery Storage to support integration of renewables. S&L based the 650 MW renewable energy integration limitation on an analysis that considered limits to renewable integration to the Grid System in its current condition.

This answer either says, or implies, that the amount and proportion of storage being added is sufficient to address all intermittency concerns of renewables, sufficient to address any load-shifting needs.

SESA takes issue with PREPA's assertion in point ii. above regarding concerns about the need to develop non-solar resources outside the Peak Irradiance Period. **We request PREB order more information to support PREPA's assertion, and also that any information supplied be contrasted with PREPA's previous assertion that the amount of storage being deployed is sufficient to address hosting capacity concerns of intermittent renewables.**

Specifically, although in general it is true that wind resources happen primarily during the nighttime, in Puerto Rico, to our anecdotal knowledge, wind occurs primarily during the daytime. At a minimum, PREPA's assertions should be backed up with verified studies before being considered by PREB.

Furthermore, we are in a situation with near-zero penetration of any renewable energy. The sorts of concerns brought forth in this area of PREPA's filing should perhaps be contemplated for the scenario of very heavy amounts of renewable energy, but as of today, there is only around 3% of Puerto Rico's power coming from intermittent renewables; ie we are nowhere near the scenario where the risk of curtailment due to "too much solar" being on Puerto Rico's power grid.

It is SESA's recommendation that justification for such a course of action would first require substantial technical evaluation and additional multi-stakeholder input, and thus this Energy Bureau should carefully balance all the complex equities involved therein, before any such critical decision.

CONCLUSION

In order to continue endeavoring towards the implementation of this Bureaus' mandates, including the success of the upcoming second RFP tranche, SESA makes the following recommendations and requests:

- 1. SESA requests PREB to change its order for a "target date" for Tranche 2 from June 30th to some future date, perhaps August 30th.**
- 2. SESA requests clarification that PREB is not to issue Tranche 2 until there is an approved Procurement Plan in place for the Tranche 2 procurement.**
- 3. SESA requests two Public Stakeholder Technical Conferences. The first to openly discuss the learnings of Tranche 1, and the second to focus on lessons learned important for Tranche 2 to be successful.**
- 4. We request such Public Stakeholder Technical Conferences to include the opportunity for stakeholders to provide comments on, input about, and questions on on each iteration of a proposed 2nd Tranche RFP Procurement Plan.**
- 5. Said Public Stakeholder Technical Conferences should allow all relevant stakeholders that have shown interest in this and related dockets, including but not limited to specifically, PREPA, PREPA's pertinent consultants, the Public Private Partnerships Authority, LUMA, SESA, as well as Fiscal and Oversight Management Board representatives, to participate.**
- 6. After said Public Stakeholder Technical Conference, we request the Honorable Energy Bureau to grant all relevant stakeholders sufficient time to submit written comment and input on the draft 2nd Tranche RFP, to ensure minimization of confusing or incomplete text in the actual 2nd Tranche RFP, once it is issued.**
- 7. For potential 2nd Tranche RFP bidders to be able analyze all data and thus draft and submit the best possible bids, and in consideration of the learnings of Tranche 1, SESA suggests that the Honorable Energy Bureau establish an extended 2nd Tranche RFP bid timeline.**
- 8. SESA also requests that the Energy Bureau analyze the feasibility of establishing and mandating, without substantially affecting the procurement timelines of other renewables and storage resources, a VPP-specific RFP Tranche, perhaps under the administration of a third party expert, to manage said process; such third party**

expert could perhaps be contracted by the Honorable Bureau itself, or in any other way the Bureau deems fit.

Respectfully submitted,

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