



SESA SOLAR AND ENERGY STORAGE
ASSOCIATION
OF PUERTO RICO

NEPR

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Hon. 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 Requests regarding Tranche 1 and Tranche 2 Renewable Generation and Energy Storage Resource and VPP Procurement; NEPR-MI-2020-0012

Dear Chairman Avilés-Deliz and Honorable Commissioners:

The Solar and Energy Storage Association of Puerto Rico (hereinafter, "SESA") is a nonprofit 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 government policymakers, the public, and other stakeholders, and facilitates collectively beneficial collaboration.

We come before this Honorable Bureau seeking transparency in regards Tranche 1 and Tranche 2 of the required RFPs for renewable energy and storage, with an urgent request for strong PREB oversight on all issues pertaining to successful completion of Tranche 1, and moving forward with Tranche 2.

Pertinent Background

- On February 2nd, 2022, this Honorable Energy Bureau issued a Resolution and Order approving 18 photovoltaic (PV) projects on the 1st Tranche of the RFPs, after an apparently very competitive process. 6 storage projects are also reportedly nearing a final contracting stage.
- This 1st Tranche, which was initially slated for PREPA to procure up to 1,000 MW of renewable generation and 500 MW of storage, has reportedly achieved both PREB and FOMB approval for 844 MW of photovoltaics. There have also been indications of 220 MW or perhaps 240 MW of large-scale storage projects, but those projects are apparently

lacking formal approvals from PREPA, PREB and FOMB.

- Despite the fact that this Honorable Energy Bureau has expressly mandated VPP procurement prioritization in the IRP and throughout this RFP process since its initial Procurement Plan order, the status of VPP projects remains unclear. This Honorable Energy Bureau included a requirement for at least 150MW of VPP to be procured in Tranche 1 and PREPA has previously indicated publicly their intention to move forward with two active VPP bidders, but at their March 25th 2022 public Board Meeting, indicated their intention to move forward with only one of them, and also indicated that they are waiting for further PREB guidance to determine how to handle the other.
- It appears unclear the exact sequence of events and timelines involved in seeking ultimate approvals for any of the Tranche 1 bids.
- Regarding Tranche 2, we are not aware of any forward movement since the January 27th contraction of Accion Group, and the January 28th and February 4th public Webinars held by Accion Group on the topic. It appears that Tranche 2 is awaiting regulatory approval to move forward with the next step, which appears to be public publication of the draft RFP for Tranche 2, followed by a process of collecting feedback from interested stakeholders.

Specific Concerns & Requests

At their March 25th public Board Meeting, PREPA staff gave a detailed status update on the RFP progress for Tranche 1¹. During the meeting, a number of statements were made on a variety of topics which appear to merit consideration of PREB action to provide clarity to all stakeholders.

i. Regarding the sequence and timing of approvals of the 18 projects which have now received votes of approval from PREPA, PREB and FOMB:

PREPA stated at the March 25th Board meeting that the sequence of events remaining for these 18 contracts is projected to be the following:

1. LUMA completes “facility study”
2. LUMA completes “operational study”
3. PREPA committee makes a “Best Interest Determination” which includes final pricing
4. PREPA board votes (a 2nd time) to approve all 18 projects
5. FOMB votes (a 2nd time) to approve all 18 projects
6. PREPA Executive Director then actually signs the 18 contracts

¹ The recording of the March 25th PREPA board meeting is publicly available on PREPA’s YouTube channel, at this link: https://www.youtube.com/watch?v=NK7Q7_JtMRs&t=10330s

PREPA staff also stated that they anticipate that it will take until approximately October of 2022 for all of these steps to occur.

Mary Zapata: [02:33:38] [02:33:38] We're expecting for the closing date after all of the the process needed to have the project final, we have estimated October.

In addition to the altruistic benefits of cost-savings, positive impact on reducing carbon emissions, and progress towards compliance with Puerto Rico's Renewable Energy requirement of 40% renewables by 2025, we would like to point out the extraordinary urgency of attaining ultimate final approval of Tranche 1 projects as it will impact Tranche 2.

Since certainty won't exist on whether any specific Tranche 1 project will move forward or not until the ultimate final contracts are signed, there would be potentially insurmountable questions during the Tranche 2 process regarding land-use and interconnection capacity. In order to avoid potentially resulting monthlong delays with the Tranche 2 RFP, we hope this provides additional urgency for all Tranche 1 projects to attain ultimate contract approval in a matter of weeks, not months.

We would like to note the contrast between the projected timeline for these various agencies to perform their multiple votes of approval, as compared to the timeline for when the initial LUMA contract (presumably a much more complex contract) gained all necessary regulatory approvals. In the case of the LUMA contract, all involved agencies cast their approval votes within a few days, as contrasted with the many months projected by PREPA staff for approval of these 18 projects, for a Tranche 1 that is already many months behind schedule.

We would also like to note that the Virtual Power Plant bids, and the Storage bids, have not yet attained three important steps which appear to be necessary before the above 6 steps can occur: 1) Approval of PREPA Board, 2) Approval of PREB, and 3) Approval of FOMB.

Request: We request that PREB issue an order either verifying that the approval sequence of events stated by PREPA is accurate or, if it's not, clarifying for all stakeholders the exact sequence of events which is occur between today and the day the contracts are finally executed.

Request: We request that PREB oversee an extraordinary effort to coordinate all necessary agencies' approval to happen in a coordinated and simultaneous manner.

Request: In addition to clarifying the sequence & facilitating expedited timing of the approval timeline for the 18 projects, we request PREB oversight to add additional clarity to the required and projected timeline for the Storage-only and VPP projects, from today until the day when contracts ultimately attain their final signature of approval.

- **Regarding the ability of VPPs to provide 4 hours of storage:**

PREPA staff stated at the March 25th Board meeting:

Mary Zapata: [02:28:44] "...nor they [VPPs] can be able to provide the four hour window, as energy storage can provide daily."

We would like to note the following:

- The batteries involved in VPPs are typically able to "provide the four hour window".
- The RFP documents state a preference for 4 hour storage deployment, but also state that 2 hours or 6 hours is acceptable.

Request: We request that PREB ensure clarity regarding VPPs ability to provide 4 hours of storage, and to clarify that as the bid documents state a range of activation between 2 and 6 hours is permissible.

- o **Regarding the price impact of VPPs and Storage**

For VPPs and storage, since they're typically activated mostly to avoid the need to fire up the most expensive power plants on the grid, commonly the amount paid to activate storage & VPPs is less than the cost of the fuel that would have otherwise been needed if not for the existence of the storage and / or VPPs.

It's unclear whether the projected savings is being considered in the evaluation of storage & VPP bids, but it should be noted that to whatever degree a negative cost might be the result (ie, the cost paid for storage / VPPs being less than the cost of the fuel that would have otherwise been burnt), those cost savings would potentially occur immediately upon integration of the storage / VPPs, providing some relief to the seemingly constant increases of fuel charges due to the increasing and unstable price of, and unreliable availability of, fossil fuels.

To summarize, our hope is that the cost of storage and VPPs is not being looked at on a cost-only basis, but that the very real savings from avoided fuel costs, and potentially avoided blackouts, ancillary services and other benefits, are being taken into consideration. The question we suggest be answered is not "How much does this cost?", but rather "What is the wholistic cost impact of adding this resource to the grid?".

We also note the possibility of FOMB rejection of storage-only and VPP bids if only costs (and not financial benefits such as direct fuel savings to consumers) are presented to them.

Request: We request PREB to issue an order clarifying that the cost of storage-only and VPP projects also take into consideration the financial benefits projected to happen as a result of VPPs and Storage-only projects.

- **Regarding what constitutes a “firm” resource.** The following statement was made at the March 25th PREPA board meeting

[02:29:12] Mary Zapata: LUMA considers a firm source a technology that at least can provide 260 calls a year.

There is a conversation that follows this statement regarding the number of “calls per year” included in the Virtual Power Plant bids.

We would like to note that the number of “calls per year” is a criteria that was not included in the original bid documents. “Calls per year” refers generally to the number of days per year that a utility company can “call upon” thousands of customers’ batteries to be activated.

Request: We request that PREB issue an order to attain clarity on to whatever extent that issue is impacting approval (or not) of the VPP bids at this time, what entity is imposing which requirements, and why. We would also recommend and request that, in providing clarity on this topic, that PREB ensure there is an awareness of the number of “calls per year” that are typical in other VPPs that have been deployed around the country and around the world, and compare this with the numbers being articulated by PREPA in their recent March 25th board meeting.

- **Regarding VPP’s ability to provide Ancillary Services**

The following statement was made by PREPA staff at their March 25th board meeting:

Mary Zapata: [02:28:12] “...we cannot see the VPPs as energy storage because - different than energy storage, this type of technology cannot provide other ancillary services.”

One definition of “ancillary services” is the following, as provided by greeningthegrid.org²:

Ancillary services refer to functions that help grid operators maintain a reliable electricity system. Ancillary services maintain the proper flow and direction of electricity, address imbalances between supply and demand, and help the system recover after a power system event. In systems with significant variable renewable energy (RE) penetration, additional ancillary services may be required to manage increased variability and uncertainty.

Ancillary services can include:

- ***Synchronized regulation**, which is a service that corrects for short-term changes in electrical imbalances that might affect the stability of the power system.*

² <https://greeningthegrid.org/integration-in-depth/ancillary-services>

- *Contingency reserves*, which are used to respond to an unexpected failure or outage of a system component, such as a generator, transmission line, circuit breaker, switch or other electrical element.
- *Black-start regulation*, which supplies electricity for system restoration in the unlikely event that the entire grid loses power.
- *Flexibility reserves*, which is an emerging concept for addressing variability and uncertainty on timescales longer than contingency and regulating reserves.

To our knowledge, VPPs are generally able to provide many ancillary services, and such value is commonly included in utilities' contracts in other jurisdictions for the development of VPPs.

Request: We request PREB to provide clarity and instruction to PREPA regarding to what extent ancillary services are to be included in VPP contracts and ensure that such ancillary services are properly valued and compensated.

In addition to above issues flagged as a result of the March 25th PREPA board meeting, we request this Honorable Energy Bureau take note of the following additional items and consider our requested actions:

- The IRP and following orders regarding the Tranche 1 RFP included the quantities of 1,000MW of PV, 500MW of storage, and at least 150MW of VPP. Currently, It appears that only 844 MW of PV are on track to be ultimately contracted, and perhaps as little as 220 or 240MW of storage.

Request: Issue an order so that Tranche 2 makes up for the quantity shortfalls of Tranche 1, and catching up on the overall timing of the schedule originally issued in the IRP. This could mean increasing the quantities in Tranche 2 to as much as 1200 MW of PV and 500MW or more of storage to make up for deficit.

- Following the public workshops in January and February, there has been an overall anticipation that the initial discussion draft of the Tranche 2 RFP would be available soon.

Request: Order Accion Group, the Tranche 2 independent coordinator, to publish a draft PPOA soon for meaningful public comment and all-stakeholder engagement.

Request: Order interactive workshops where stakeholders can, in addition to submitting comments on an initial draft RFP for Tranche 2, also provide input to and answer questions from Accion Group, in an effort to truly integrate lessons learned from Tranche 1, with a special effort made to listen to and integrate lessons learned as articulated by actual and potential Tranche 1 bidders which have very valuable, very recent experience to share which could significantly increase the chances of the success of Tranche 2.

Conclusion

We request PREB consider the specific actions requested in this filing by SESA regarding various aspects and timing of Tranche 1 and Tranche 2 RFPs, to encourage and provide maximum confidence in current bidders, potential future bidders, all energy stakeholders and the public.

Respectfully submitted,



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