

# Overview of the Procurement Review Group and the Independent Evaluator

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# Today's Objectives

Provide an overview of the functions and roles of the Procurement Review Group (PRG) and the Independent Evaluator (IE) in SCE's energy procurement and management related activities

# Background of PRG

- In 2002, the CPUC issued D. 02-08-071 in Rulemaking 01-010-024.
- The decision established the **Procurement Review Group (PRG)**, which would be open to an appropriate number of interested parties who are not “market participants”.
  - The CPUC’s Energy Division and ORA staff would be ex officio members
- The initial purpose of the PRG was to create a rapid process for reviewing IOU procurement efforts
- Today, SCE seeks consultation from its PRG group for various procurement related decisions.

# Functions of the PRG

- The PRG is an exclusive group of non-market participants, whose designated representatives execute non-disclosure agreements, and ex officio members, such as TURN, ORA, the CEC, and the CPUC's energy division staff, who review utility procurement decisions before the utility submits contracts for Commission approval.
  - Planning
  - Solicitations
  - Portfolio and contract management

# PRG Participants

- Today, SCE's Procurement Review Group includes a diverse set of stakeholders:
  - California Coalition of Utility Employees (CUE)
  - CPUC Energy Division (ED)
  - CPUC Office of Ratepayer Advocates (ORA)
  - CPUC Safety and Enforcement Division (SED)
  - CPUC Water and Audits
  - The Utility Reform Network (TURN)
  - Sierra Club

# PRG Consultation

- SCE conducts regularly scheduled meetings with its Procurement Review Group once every two weeks.
  - The biweekly meetings are scheduled on Wednesdays from 2-4pm
- SCE also schedules specially scheduled PRG meetings on an as needed basis.
- Once a quarter, SCE conducts an in-person PRG meeting in San Francisco, CA
  - The in-person PRG meeting lasts several hours and typically includes deep dives of SCE's Energy Planning, Energy Trading, and Summary of Power Contracting Activities, among other things.

# Independent Evaluator (IE) Overview

- Commission Decisions (D.04-12-148, & D.07-12-052, as modified by D.08-11-008) directs the IOUs to use an **Independent Evaluator (IE)** to monitor competitive solicitations:
  - involving affiliate transactions, and
  - that seek energy products of two years or greater in duration
- SCE may use an IE in additional procurement processes even if not required to do so by the CPUC (such as bilateral negotiations).
- The IOUs shall consult with its IE and PRG on the design, administration, and evaluation of the RFO to ensure that the overall scope is not unnecessarily broad or too narrow.

<sup>1</sup> Pursuant to, D.14-02-040, at 68 and OP 5, “the Commission will continue to allow IEs to remain in the selection pool without term limits, subject to evaluation every three years instead of every two years.”

<sup>2</sup> “Review of an IE does not preclude the IE from continuing to remain in the IE pool. Reevaluation gives all interested parties, including the IOU, its PRG and ED an opportunity to evaluate the suitability of the IE for continued participation in the pool.”

# Role of the IE

- The IE makes a determination that the RFP process is transparent and fair and that the RFP issuer's decision is not influenced by any affiliate relationships (D. 04-12-048).
  - Bid documents are to be developed under the oversight of an IE (D.07-12-052, at OP 16)
  - The IEs are not permitted to make binding decisions on behalf of the IOUs.
  - Public and confidential IE reports are submitted to the CPUC after each solicitation (D.12-04-046, at OP 15).
- IEs should be available to:
  - testify as an expert witness in any associated CPUC proceeding regarding upfront review of potential solicitation transactions.
  - Make Periodic presentations regarding their findings to the IOU, and to the PRG (including CPUC).



# IE Selection Process

- To facilitate the use of IEs, the CPUC required the IOUs to establish a pre-approved pool of at least 3 IEs.
  - SCE develops a list of prospective IEs then solicits information from the prospective IEs and circulates the list of candidates and their “resumes” to its PRG and ED staff for feedback.
  - SCE and PRG interview a subset of prospective candidates deemed most suitable for the role (SCE arranges for its PRG to conduct interviews with candidate IEs in isolation from SCE if desired);
  - SCE requests the PRG to submit its recommendations on each prospective candidate (including the general consensus and any opposition to the consensus).
  - SCE then prepares and submits a written list of proposed IEs to ED to add to SCE’s pool. The Commission has given ED the authority to grant final approval for inclusion of an IE in the IE pool by letter to SCE;
  - SCE developed a pro forma contract to be used each time it contracts with an IE.
- Pursuant to D.07-12-052, further extended by D.14-02-040, an IE may only remain in the pool for 3 years<sup>1</sup> without being renewed by the IOU
  - SCE can either reevaluate its existing IE pool, or establish a new IE pool (a minimum of 3 IE’s are required in the pool)
  - “the reevaluation process will involve additional reviews of the IE candidate by the PRG, IOU and ED staff, including additional interviews, if necessary<sup>2</sup>”

# IE Minimum Requirements

- A minimum criterion for independence is that the IE has no financial interest in any of the potential bidders, including the affiliate, or in the outcome of the process.
- IEs should have the following qualifications (D. 04-12-148)\*:
  - (1) technical expertise germane to evaluating resource solicitation power products (i.e., they should not be general observers hoping to be educated on the job);
  - (2) skilled in analyzing a range of power market derivatives (e.g., futures, contracts, options, swaps);
  - (3) familiarity with the various standard contracts and industry practices;
  - (4) experience analyzing the relative merits of various types of PPAs; and
  - (5) the ability to evaluate PPAs, turnkeys and IOU-built projects on a side-by-side basis.

\* The IOUs and ED can add other criteria based on experience or other requirements.