

October 11, 2021

VIA ELECTRONIC FILING

Shonta Dunston, Chief Clerk
North Carolina Utilities Commission
4325 Mail Service Center
Raleigh, North Carolina 27699-4300

**Re: Article Requested By Commissioner Duffley During IRP Technical
Conference
Docket No. E-100, Sub 165**

Dear Ms. Dunston,

Please find enclosed for filing in the above-referenced docket on behalf of intervenors Southern Alliance for Clean Energy, the Sierra Club, and the Natural Resources Defense Council (the "SACE Parties") an article entitled "Streamlining Utility All-Source Procurement: Why All-Source Procurement is Growing more Complex, and How Administrators Can Help" by the firm Enel X.

During the technical conference on October 1, 2021 Commissioner Duffley requested that the SACE Parties' expert John D. Wilson submit the article to the Commission. The enclosed submission responds to Commissioner Duffley's request.

Please let me know if you have any questions or concerns.

Best regards,



Nick Jimenez

cc: All Counsel of Record



Streamlining Utility All-Source Procurement

Why All-Source Procurement Is Growing More
Complex, and How Administrators Can Help



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The All-Source Procurement Challenge

The way utilities transact and procure long-term energy contracts is growing more complex due to more resource options and changing regulatory requirements.

Long term supply-side energy and electric capacity procurement has quickly become a central aspect of business for many utilities, particularly so for those having divested generation assets.

All-source procurement, where utilities seek long-term energy supply and electric capacity without preference for any single generation source or contract structure, ensures diversity within resource portfolios. And the Energy Transition, which includes the proliferation of renewables and an increase in demand-side resources like distributed solar, storage, and demand response, has added a host of new resources, contract structures, and layers of complexity.

Now, utilities are adapting to this changing landscape. In the last few years, utilities like PacifiCorp, NorthWestern, IPL, Vectren South, and NV Energy (to name a few) have put forth competitive solicitations and RFPs for all-source procurement. Some of these solicitations have allowed for the participation of demand-side resources, like demand response and energy efficiency.

Part of the cause of this evolution in procurement can be traced to the proliferation of renewable portfolio standards. Renewable portfolio standards across the country mandate a quickly increasing level of renewables. With the majority of states now implementing a renewable portfolio target, many utilities are finding it more difficult to balance renewables with sufficient procurement of reliable baseload and peaking generation capacity. It's a growing challenge to meet forecasted demand both reliably and economically.



Working through processes that are constantly evolving.

Second generation all-source procurement has utilities treading new ground, and components of the process are often drastically different from older and more traditional procurement processes—as is the ever-evolving mix of resource options on the demand and supply side. Procurement processes must effectively capture, catalog, and evaluate all available resource agreements and structures. On the back end, the approach must provide defensible procedures to allow utilities to screen out ill-fit contracts and isolate structures deemed best-fit to address identified needs. Only then should utilities move into more focused procurement tracks designed to finalize and secure binding proposals from pre-qualified parties.

Adhering to legal mandates and regulatory demands.

All-source procurement comes with new regulatory mandates that are always changing and can be difficult to understand. Utilities must answer questions from external stakeholders on process and prove they were prudent in their procurement efforts, especially in clearly showing that all viable resources and contract structures were addressed within the procurement efforts. Unexpected problems can arise late in or even after the process, and these can cause a huge amount of work and money to have been wasted.

Breaking down a complex array of options.

The huge variety of options available can make for a dizzying experience—in renewables alone, utilities are faced with options like solar, solar and storage, RECs, and many more. Comparing cost, value, portfolio fit and impact for generation facilities of varying technologies is difficult, time consuming, and open for scrutiny.

Handling increased competition.

Modern renewable procurement often puts utilities in competition with private entities. This was previously a rare experience for most utilities, but as customers make more ESG demands on private companies, corporate competition will likely increase along with less stringent guidelines for purchasing renewables.

Adapting to increasing ESG demand.

ESG demands from stakeholders, governments and customers are growing, and these can often add complications to the transaction. Utilities may be required to prove they've met a wide variety of ESG demands, from reaching diverse goals to ensuring habitat preservation.

Proving economics to stakeholders.

Utilities must prove they've made the most economic decision possible. It's one constant in the procurement process, but it becomes more challenging than ever amid the complications and pressure of all-source procurement that take into account quantitative and qualitative costs for utilities.



How Independent Administrators Simplify the All-Source Procurement Process

Because of the growing complexity of all-source and multi-source procurement, the RFP process is becoming a greater challenge.



There are a variety of possible generation sources, and the factors involved in weighing these sources against each other are varied. Not only are there economic factors and renewable portfolio standards, but there are also concerns around reliability, ESG and more.

Ultimately, when making the final decision, utilities will have to prove to regulators and other stakeholders that they made a defensible, unbiased, economic decision. Yet in modern all-source procurement, that is often not a simple task.

To make their decision, utilities are typically legally required to work with an independent evaluator. The primary responsibility of this evaluator is to ensure the utility made prudent decisions with their buying efforts and all parties were treated fairly. Independent evaluators help to minimize conflicts of interest, and make sure proposals are ranked and scored appropriately.

Independent evaluators typically advise on the RFP process, oversee its execution, and interface with the utility's regulators at the end of the process, to attest to the efficacy of the sourcing process to the regulator. The regulator then makes the decision on whether the utility will be allowed to procure the contracts it intends to pursue as a result of the RFP process.

Yet while independent evaluators are necessary to ensure a proper decision is made, evaluators alone do not fully ensure a smooth process.

For example, regulators often have questions about the process after being presented with the decision, and many of these go beyond the scope of the evaluators. Utilities themselves are often compelled to find the necessary documentation to defend their decisions. This can be a difficult process for utilities that are adapting to the new and evolving procurement landscape among the mix of all-source projects and their parameters. And this is why independent administrators are invaluable partners.

The Benefits of an Administrator

Independent administrators have a role that is complementary to independent evaluators—in most cases, it makes sense to have both involved, as they work hand-in-hand.

Independent administrators work with utilities to manage the actual process leading up to the decision. The work of independent administrators includes tasks like managing bidders, collecting pre-requisite requirements, managing the proposals tendered, providing administrative assistance in presenting to customers, and more.

Independent administrators are only mandated in select cases—but in nearly all cases, they can offer major benefits, including:

Streamlining the process with improved transparency.

The logistics of modern all-source and multi-source procurement administration is often complicated. Utilities that do not have extensive experience in recent years may not know how to best collect the necessary information and compile it in a way that leads to a sensible, “apples-to-apples” comparison among proposals with many differing details.

An independent administrator is effective in establishing and enforcing uniform requirements for participants and taking the burden off utilities in ensuring that criteria is met. Just as significantly, independent administrators ensure each stage of the process is fully documented and auditable for internal and external stakeholders, including regulators.

Eliminating the risk of costly end-of-process blowups.

Independent administrators work in lockstep with independent evaluators, and this allows utilities to be fully prepared for regulators at the end of the process.

Without administrators, often regulators will call into question a decision made weeks or months earlier. It can be a resource-intensive process to defend this decision, as utilities may not know what is needed to justify the

choice. In some cases, the exhaustive audit utilities go through may uncover new problems and keep contracts from getting approved, rendering effort, time and resources wasted.

With administrators, these dangers are minimized—administrators provide an auditable trail detailing each step of a solicitation. Often, the independent evaluator will have an open line of communication with the regulatory body, and administrators can call the attention of both the evaluator and the regulator to any issue as it arises.



Reducing the likelihood of a conflict of interest or bias.

Having an independent administrator allows a utility to be largely hands off on the functional sourcing tasks, which gives them a layer of separation and insulation from the bidders within the RFPs. This reduces the chances of conflict of interest or bias on the part of the utility, a significant concern for many of the regulators judging the final decision.

Allowing more participants in the RFP process.

Often, when using an independent administrator, utilities can include unregulated affiliates in the RFP process. This is typically not allowed if the utility acts as its own administrator. But because the independent administrator ensures an environment that is fair and equitable in the RFP, only in that environment can affiliates participate.

Minimizing the task of working with the independent evaluator.

Independent administrators assume nearly all the work of communicating with independent evaluators on behalf of the utility. This can be a significant time commitment – administrators will handle all questions and arm the evaluator with all the documentation it needs to cast judgment at the end of the RFP process. Independent administrators’ experience can also offer valuable guidance towards knowing when to escalate a potentially thorny issue with the evaluator, requesting they bring it to the attention of the regulatory body early in the process.

Leveraging experience.

Modern procurement processes are typically far more complex than processes just five to ten years ago, and dynamic and unexpected situations occur often. These are situations that utilities may have no prior experience with, but which administrators have seen before and know how to handle. When these situations arise, the administrator can draw from past precedent to inform decisions and ensure they are defensible.

Differences Between Administrators and Evaluators

	Independent Evaluators	Independent Administrators
Role	Provide oversight for the sourcing process and make sure prudent decisions are made at each stage, and that all parties are treated fairly	Work with utilities and independent evaluators to manage the procurement process leading up to the decision; administrators simplify the process through greater transparency and competition
Typical Tasks	Interface with the utility’s regulators at the end of the process, to speak about the sourcing process to the regulator	Manage bidders, pre-requisite requirement collections, manage the proposals tendered, provide administrative assistance in presenting to customers
Legal Requirement	Typically legally mandated	Only mandated in select cases; nearly always permitted/recommended
Major Benefits	Ensuring no conflict of interest in the decision-making process	Adding transparency to the process and getting the utility the best price for their contracts, ensuring the decision of the evaluators can be easily defended to regulators
Added Legal Value in RFP Process	Typically involved primarily in the evaluation of proposals	Can expand participants in the RFP process, benefiting consumers with more competition—when using an independent administrator, utilities can sometimes include unregulated affiliates in the RFP process.
Role With Regulators	Independent evaluators typically have a direct line to regulators, and are directly involved with them at the end of the sourcing process	Independent administrators simplify the process of defending decisions to regulators and increase the likelihood of an approved choice

Case Study: How Enel X Helped One Utility as an Administrator

PART 3

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Independent administrators are a vital partner for utilities in the transforming world of procurement. Enel X has extensive experience in all-source procurement—we have worked in both the independent evaluator and administrator role, and have deep expertise in how administrators can simplify the all-source procurement process. The following is a case study of one recent procurement customer we have worked with:

The Challenge

After its region passed ambitious new renewable portfolio standards, one utility decided they would work not just to meet these goals, but to surpass them. The company pledged to significantly reduce emissions and eliminate all coal generation, but this plan would require them to procure a significant amount of renewable energy capacity. They needed a partner to ensure a smooth process that sourced renewable energy at reasonable prices.

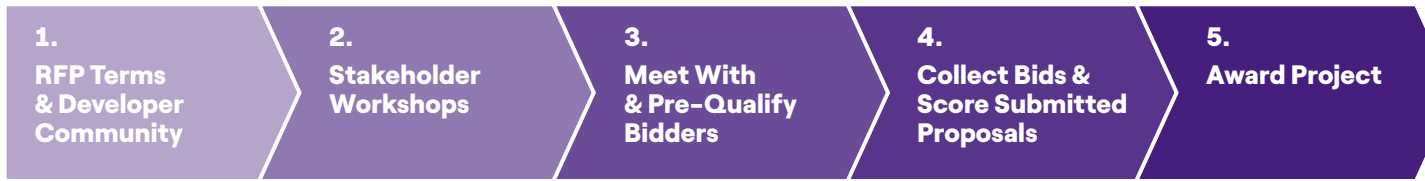
The Process

The utility chose Enel X to help. Enel X has extensive experience in the world of large-scale utility energy solicitations, having worked with over 100 utilities across the country and with a 100% approval record from state utility commissions. Enel X's work as an administrator in the procurement process helped to standardize contract terms and ensure off-takers receive as many proposals as possible to find the most competitive project that meets their needs.

There are significant regulatory requirements in any bidding process. Enel X supports filing with the local regulatory entities, providing all necessary data and records to secure approval. Through this process, the utility company has already successfully awarded several projects, securing renewable energy at a competitive price for customers. As the utility works to meet decarbonization goals, Enel X will continue to support the renewable energy solicitations.



Below are the five responsibilities of Enel X in helping the utility in the procurement process:



1. Help to define RFP terms and create a developer community.

Enel X thoroughly reviews the IRP solicitation documents to clearly define RFP terms. Enel X also helps prepare advertisements and create RFP notices to attract as many qualified developers as possible.

2. Conduct stakeholder workshops to set expectations.

In a half-day stakeholder workshop with the utility to provide transparency into the process, Enel X explains the details of the RFP, solicitation, and more.

3. Meet with and pre-qualify bidders.

Before collecting bids, Enel X meets with all potential bidders who responded to the RFP to explain the process, answer questions, validate their creditworthiness, and establish pre-bid security.

4. Collect bids and score submitted proposals.

Enel X collects bids on its platform, then screens submitted proposals and creates a final evaluation that ranks anonymized proposals according to criteria established by the utility for apples-to-apples comparison.

5. Award project.

Once the winning bid has been selected, Enel X reviews the details of the selected proposal with the utility.

As the landscape of multi-source and all-source procurement quickly evolves, an independent administrator can be a crucial partner.

By simplifying many of the challenges inherent to the process, they can ensure more straightforward interactions with regulators and a smoother path to success.

Enel X has a long history of working with utilities in a variety of roles, from independent administrator to evaluator in the procurement process, as well as extensive work in demand-side products like demand response and smart EV charging. Enel X has completed 65,000 energy procurement events including 3,000 MW of long-term renewable energy contracts.

To learn more about how Enel X can help utilities, please visit enelx.com/northamerica.



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