

**PUBLIC SERVICE COMMISSION OF THE DISTRICT OF COLUMBIA
1325 G STREET N.W., SUITE 800
WASHINGTON, D.C. 20005**

ORDER

September 25, 2024

FORMAL CASE NO. 1017, IN THE MATTER OF THE DEVELOPMENT AND DESIGNATION OF STANDARD OFFER SERVICE IN THE DISTRICT OF COLUMBIA, Order No. 22301

I. INTRODUCTION

1. By this Order, the Public Service Commission of the District of Columbia (“Commission”) approves and adopts the Standard Offer Service (“SOS”) Working Group’s proposed Wholesale Full Requirements Service Agreement (“WFRSA”) and Request for Proposals (“RFP”) for the 2024-2025 SOS solicitation as modified herein. The SOS Working Group is directed to recalculate the capacity proxy price by removing the use of the 0.9 multiplier and to update the capacity proxy pricing for the Tranche 2 bid day as outlined in paragraph 13. The Commission directs the SOS Working Group to file a complete final copy of the WFRSA and RFP for the 2024-2025 SOS solicitation by October 7, 2024, and to make a compliance filing no later than December 20, 2024, with an updated WFRSA and RFP if an adjustment of the capacity proxy pricing is appropriate according to paragraph 13.

II. BACKGROUND

2. On August 1, 2024, pursuant to 15 DCMR Section 4101.3, the Potomac Electric Power Company (“Pepco” or “Company”) filed the proposed revised WFRSA and RFP for the 2024-2025 SOS solicitation on behalf of the SOS Working Group.¹ On August 8, 2024, the Commission issued a Public Notice inviting interested persons to file comments on the proposed WFRSA and RFP.² On August 8, 2024, Pepco filed an errata to the WFRSA to rectify a missing word from page 13 that the Company identified.³

3. On August 14, 2024, Constellation filed comments proposing changes to the WFRSA regarding PJM capacity costs.⁴ On August 15, 2024, Pepco filed comments stating that the Company did not oppose Constellation’s proposed changes to the WFRSA but noted that

¹ *Formal Case No. 1017, In the Matter of the Development and Designation of Standard Offer Service in the District of Columbia (“Formal Case No. 1017”), Standard Offer Service Working Group’s Wholesale Full Requirements Service Agreement and Request for Proposals for the 2024-2025 SOS Solicitation, filed August 1, 2024 (“SOS Working Group’s Proposed WFRSA and RFP”).*

² *Formal Case No. 1017, Public Notice, rel. August 8, 2024.*

³ *Formal Case No. 1017, Errata to the SOS Working Group’s Proposed WFRSA and RFP, filed August 8, 2024.*

⁴ *Formal Case No. 1017, Constellation’s Comments, filed August 14, 2024 (“Constellation’s Comments”).*

Constellation's comments were mistakenly proposed to the 2023-2024 WFRSA rather than the current proposed WFRSA for 2024-2025.⁵

III. DISCUSSION

4. Each year, by August 1, Pepco, as the SOS Administrator, must file a WFRSA and RFP for the upcoming SOS solicitation.⁶ Prior to the submission of the RFP and WFRSA for the upcoming SOS solicitation, the Company convenes the SOS Working Group to consider whether and to what extent the WFRSA and RFP should be revised or updated. On June 27, 2024, Pepco, as the SOS Administrator, convened an SOS Working Group meeting to discuss changes to the 2024-2025 SOS RFP and WFRSA.

5. In its August 1, 2024, filing, Pepco proposed three (3) changes to the 2024-2025 RFP and three (3) changes to the 2024-2025 WFRSA. There were no objections to any of these proposed changes during the SOS Working Group meeting, and as such, they were incorporated into the 2024-2025 WFRSA and RFP for SOS filed on August 1, 2024.⁷

6. Pepco proposes the following changes to the 2024-2025 RFP:

- a. Section 2.1, "Services Requested," advises suppliers to incorporate an updated capacity proxy price of \$144.01/MW-day into their offers to supply Residential and Small Commercial full-requirements wholesale service for each month in the contract term that the Zonal Net Load Price for capacity resulting from the Base Residual Auction is unknown at the time suppliers provide their offers in an SOS auction;⁸
- b. Section 4.2, "Submittal of Proposals," has been revised to reflect a new time for proposals to be received from suppliers. Proposals for each tranche will be due at 5 pm of the business day prior to the auction;⁹ and
- c. Appendix A, "2024-2025 Implementation Timeline," was modified with a revised timeline.¹⁰

⁵ *Formal Case No. 1017*, Pepco's Comments, filed August 15, 2024, at 1.

⁶ "The SOS Administrator shall submit to the Commission by August 1 of the previous year, specific procurement format, form of request, process, timeline, evaluation process, evaluation criteria, and model contract for Wholesale Full Requirements Service supply of SOS for Commission approval." 15 DCMR § 4101.3.

⁷ SOS Working Group's Proposed WFRSA and RFP at 1.

⁸ SOS Working Group's Proposed WFRSA and RFP at 1. For Tranche 1, suppliers will use the proxy price for 2026/2027 and 2027/2028 delivery years. For Tranche 2, suppliers will use the proxy price for the 2027/2028 delivery year only, barring any changes to the Capacity auction schedule posted on PJM's website.

⁹ SOS Working Group's Proposed WFRSA and RFP at 1.

¹⁰ SOS Working Group's Proposed WFRSA and RFP at 2.

7. Pepco proposes the following changes to the 2024-2025 WFRSA:
- a. Section 7.1(j), “Billing,” updated the proxy capacity price for suppliers to incorporate a price of \$144.01/MW-day into their offers to supply full-requirements wholesale service;¹¹
 - b. Section 7.1(j), “Billing,” has the following addition:

“IF, AND ONLY IF a PJM BRA’s Preliminary Zonal Net Load Price used to calculate the capacity price is published for a Delivery Year being procured in the RFP Cycle, and is then revised, the Utility will establish a true-up for impacted months within contracts by Supplier. The true-up will be an additional line item on the SOS Invoice and will show a supplemental capacity payment or charge. This will be calculated as the Final Zonal Net Load Price (published by PJM after the results are available from the 3rd Incremental Auction for the relevant Delivery Year) minus the originally published PJM Preliminary Zonal Net Load price (BRA at the time of the SOS auction when a Capacity Proxy Price was not in use for the published PJM BRA price);”¹² and
 - c. Exhibit G, “Form of Notice,” has been revised to reflect new contacts for the form of notice.¹³
8. Constellation proposes the following changes to the 2024-2025 WFRSA:
- a. Section 7.1(j), “Billing” has the following addition: “The parties intend that the cost of PJM capacity invoiced to Supplier will be passed through from Supplier to Buyer without markup or discount under the specific circumstances identified in paragraph 3, below. In furtherance of this intended outcome, the following provisions shall apply.
 - 1) Buyer will post in the Bid Plan the PJM Preliminary Zonal Net Load Price in effect at the time the Bid Plan is issued as well as and a Proxy Net Load Price for any Planning Period for which the PJM Preliminary Zonal Net Load Price was not available.
 - 2) If, at the time of settlement for any month of this FSA, PJM’s most recently posted Preliminary Zonal Net Load Price for capacity is different than PJM Preliminary Zonal Net Load Price posted in the Bid Plan (if applicable for the Planning Period) or the Proxy Price (if applicable for the

¹¹ SOS Working Group’s Proposed WFRSA and RFP at 2.

¹² SOS Working Group’s Proposed WFRSA and RFP at 2. This addition to Section 7.1 was based on Constellation’s proposed changes made during the June 27, 2024, SOS Working Group meeting.

¹³ SOS Working Group’s Proposed WFRSA and RFP at 2.

Planning Period) then Buyer shall include a Capacity True-Up in such monthly settlement.

3) The Capacity True-Up will only occur if 1) a proxy price was used for Planning Period, or 2) the Preliminary Zonal Net Load Price changes any time after suppliers submit their bids and is therefore different than the Preliminary Zonal Net Load Price that was published in the Bid Plan;” and

- b. Article 1, “Definitions,” has been revised to include the following defined terms:
 - i. “Proxy Net Load Price;”
 - ii. “PJM Final Zonal Capacity Price;”
 - iii. “PJM Preliminary Zonal Capacity Price;” and
 - iv. “Capacity True-Up.”¹⁴

IV. DECISION

9. The Commission approves Constellation’s proposed changes to the WFRSA in order to provide greater clarity and certainty concerning capacity pricing for suppliers and buyers.¹⁵ The Commission directs the SOS Working Group to add Constellation’s changes to the 2024-2025 WFRSA but to include the additional edits in paragraph 11. The language originally proposed by Pepco in Section 7.1 of the WFRSA should be removed as its purpose is duplicative of Constellation’s proposed changes.¹⁶

10. The Commission has further reviewed the SOS Working Group’s proposed WFRSA and RFP and identified typographical and clerical errors and other changes to provide clarity. The Commission, therefore, directs the SOS Working Group to revise the WFRSA and RFP as follows:

- a. Section 6, under “Schedule for RFP Process,” change the date for the “Alternative Letter of Credit Form due if applicable” from November 80 to November 8.
- b. Appendix A, under “District of Columbia SOS 2024-2025 Implementation Timeline,” change the date for the “3rd Tranche bid assurance collateral due at 5 pm” from Jan 27 to Jan 24, since collateral is due the business day prior to the auction at 5:00 pm and Jan 27 is when the price proposals for the 3rd tranche are due.

¹⁴ Constellation’s Comments at 2.

¹⁵ See Constellation’s Comments.

¹⁶ See SOS Working Group’s Proposed WFRSA and RFP.

- c. Appendix H, “Pepco DC SOS Bid Plan Information,” include only the appropriate version.

11. The Commission directs the SOS Working Group to revise Constellation’s changes in the WFRSA and RFP as follows¹⁷:

- a. Article 1, under “Definitions,” modify the abbreviated term “FSA” to “WFRSA.”
- b. Article 1, under “Definitions,” and Section 7.1(j), “Billing,” define or lowercase the phrase “Bid Plan.”
- c. Section 7.1(j), under “Billing,” make the following edit in paragraph 1:
 - i. “Buyer will post in the Bid Plan the PJM Preliminary Zonal Net Load Price in effect at the time the Bid Plan is issued ~~as well as~~ and a Proxy Net Load Price for any Planning Period for which the PJM Preliminary Zonal Net Load Price was not available.”
- d. Section 7.1(j), under “Billing,” make the following edits in paragraph 2:
 - i. “If, at the time of settlement for any month of this WFRSA, PJM’s most recently posted Preliminary Zonal Net Load Price for capacity is different than the PJM Preliminary Zonal Net Load Price posted in the Bid Plan (if applicable for the Planning Period) or the Proxy Net Load Price (if applicable for the Planning Period) then Buyer shall include a Capacity True-Up in such monthly settlement.”
- e. Section 7.1(j), under “Billing,” make the following edit in paragraph 3:
 - i. “The Capacity True-Up will only occur if 1) a proxy price was used for the Planning Period, or 2) the Preliminary Zonal Net Load Price changes any time after suppliers submit their bids and is therefore different than the Preliminary Zonal Net Load Price that was published in the Bid Plan.”

12. PJM’s Base Residual Auctions (“BRA”) are important for SOS because bidders must provide capacity as a component of their service and use the results of the BRAs to price that component. Recent SOS WFRSAs and RFPs had to use proxy prices for capacity since PJM had yet to run auctions for future delivery years. Auctions have now been completed for time periods through May 2026. The results of PJM’s BRA for the 2025-2026 delivery year (the first year of the supply term) were made available in July 2024. PJM has called for the BRAs for the 2026-2027 and 2027-2028 delivery years to be conducted in December 2024 and June 2025

¹⁷ The modifications to Section 7.1(j) are shown by underline and the deletions by ~~strikethrough~~.

respectively.¹⁸ Thus, it is highly probable that the upcoming 2024-2025 SOS RFP will still need a capacity proxy price for at least some years of the Residential and Small Commercial products from June 2025 through May 2028.

13. Pepco proposed using the same method to set the capacity proxy price as it has done for the past few years in which the capacity proxy price is based on the average of the two most recent auction results multiplied by 0.9. However, the Commission directs Pepco to make two changes to the capacity proxy price. First, the purpose of the multiplier was to account for a declining trend in capacity prices when setting a proxy price for future years. Given that the BRA results for the 2025-2026 delivery year are significantly higher than the BRA results for the 2024-2025 delivery year, the use of a multiplier is no longer needed. Thus, the Commission directs Pepco to instead only average the two most recent BRAs to set the capacity proxy price for the WFRSA and RFP. Second, the BRA results for the 2026-2027 delivery year are expected to become available on December 17, 2024, which is before the Tranche 2 bid day. If there are no delays in the BRA schedule and the results are available by December 17, 2024, we direct Pepco to update the capacity proxy price to be used for the Tranche 2 bid day. The proxy price for the 2026-2027 delivery year will be replaced by the known price and the proxy price for the 2027-2028 delivery year will equal the average of the 2026-2027 delivery year BRA price and the 2025-2026 delivery year BRA price. This will reflect current capacity market conditions.

14. Lastly, in accordance with Order No. 21977,¹⁹ on April 11, 2024, Pepco filed the modified long-term power purchase agreement (“PPA”) for renewable energy and RFP and issued the modified PPA and RFP on April 26, 2024.²⁰ Bids have been received in response to the RFP, and the Commission is currently reviewing this matter.²¹ At this time, there is no need for Pepco to make any adjustments to the procurement plan in the upcoming RFP. Pepco should continue to procure approximately one-third of its Residential and Small Commercial supply obligations under a three-year contract as it has done in the past and adjust future procurements should a PPA materialize.

15. The Commission approves and adopts the SOS Working Group’s proposed WFRSA and RFP for the 2024-2025 SOS solicitation as modified herein. The SOS Working Group shall file a complete final copy of the WFRSA and RFP by October 7, 2024. If an adjustment of the capacity proxy pricing is appropriate according to paragraph 13, the SOS Working Group shall make a compliance filing no later than December 20, 2024, with an updated WFRSA and RFP.

¹⁸ See *Capacity Markert (RPM)*, <https://www.pjm.com/markets-and-operations/rpm>.

¹⁹ *Formal Case No. 1017*, Order No. 21977, rel. April 1, 2024.

²⁰ *Formal Case No. 1017*, Potomac Electric Power Company’s Modified Request for Proposals and Draft Power Purchase Agreement, filed April 11, 2024.

²¹ See *Formal Case No. 1017*, Potomac Electric Power Company Letter on Long-Term Power Purchase Agreement, filed September 4, 2024.

THEREFORE, IT IS ORDERED THAT:

16. The Standard Offer Service Working Group is **DIRECTED** to recalculate the capacity proxy price by removing the use of the 0.9 multiplier and to update the capacity proxy pricing for the Tranche 2 bid day as outlined in paragraph 13;

17. The Standard Offer Service Working Group's proposed Wholesale Full Requirements Service Agreement and Request for Proposals for the 2024-2025 Standard Offer Service solicitation, as modified by this Order, are hereby **APPROVED** and **ADOPTED**;

18. The Standard Offer Service Working Group is **DIRECTED** to file a complete final copy of the Wholesale Full Requirements Service Agreement and Request for Proposals for the 2024-2025 Standard Offer Service solicitation by October 7, 2024; and

19. The Standard Offer Service Working Group is **DIRECTED** to make a compliance filing no later than December 20, 2024, with an updated WFRSA and RFP if an adjustment of the capacity proxy pricing is appropriate according to paragraph 13.

A TRUE COPY:**BY DIRECTION OF THE COMMISSION:****CHIEF CLERK:****BRINDA WESTBROOK-SEDGWICK
COMMISSION SECRETARY**

COMMISSION ACTION

FORMAL CASE NO. 1017, IN THE MATTER OF THE DEVELOPMENT AND DESIGNATION OF STANDARD OFFER SERVICE IN THE DISTRICT OF COLUMBIA,

Date 9/25/24 Formal Case No. 1017 Tariff No. _____ Order No. 22301

	Approved Initial & Date	Dissent Initial & Date	Abstain Initial & Date
Chairman Emile Thompson	<u>ET/CL 9/25/24</u>	_____	_____
Commissioner Richard A. Beverly	<u>RB/CL 9/25/24</u>	_____	_____
Commissioner Ted Trabue	<u>TT/CL 9/25/24</u>	_____	_____

Certification of Action

C. Lipscombe
General/Deputy General Counsel

Stephan Jaksch
OGC Counsel/Staff