

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

ORDER

September 16, 2020

**FORMAL CASE NO. 1017, IN THE MATTER OF THE DEVELOPMENT AND
DESIGNATION OF STANDARD OFFER SERVICE IN THE DISTRICT OF
COLUMBIA, Order No. 20626**

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 2020 to 2021 SOS Solicitation as modified herein. The SOS Working Group is directed to file a complete final copy of the WFRSA and RFP for the 2020 to 2021 SOS Solicitation with the Commission Secretary by October 5, 2020.

II. BACKGROUND

2. On August 3, 2020, pursuant to Commission Rule 4101.3,¹ the Potomac Electric Power Company (“Pepco” or “Company”) filed the proposed WFRSA and RFP for the 2020 to 2021 SOS Solicitation on behalf of the SOS Working Group.² On August 19, 2020, the Commission issued a Public Notice inviting interested persons to file comments on the proposed WFRSA and RFP.³ No comments were received in response to the Notice.

III. DISCUSSION

3. Each year by August 1, Pepco is required to file a WFRSA and RFP for the upcoming SOS solicitation.⁴ Prior to that submission, Pepco convenes the SOS Working Group to consider whether and to what extent the WFRSA and RFP should be revised or updated. In its August 3, 2020, filing, Pepco states that the Company proposed four (4)

¹ 15 DCMR § 4101.3 (2015).

² *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 Proposed Wholesale Full Requirements Service Agreement and Request for Proposals for the 2020 to 2021 SOS Solicitation, filed August 3, 2020 (“SOS Working Group’s Proposed WFRSA and RFP”).

³ *Formal Case No. 1017*, Public Notice, rel. August 19, 2020.

⁴ See 15 DCMR § 4101.3 (2015). As August 1 fell on a Saturday this year, Pepco filed on the next business day, August 3, 2020.

changes to the 2020-2021 RFP and three (3) changes to the 2020-2021 WFRSA at the Working Group meeting.⁵ Pepco notes that, as there were no objections to any of Pepco's proposed changes during the SOS Working Group meeting, Pepco incorporated these changes into the 2020-2021 WFRSA and RFP filed August 3, 2020.⁶

4. On July 10, 2020, Pepco, as the SOS Administrator, convened an SOS Working Group meeting to discuss changes to the 2020-2021 WFRSA and RFP. At that meeting, Pepco proposed two options to address capacity price uncertainty due to the delay in PJM's Base Residual Auction for delivery years 2022-2023 and 2023-2024, resulting from the Federal Energy Regulatory Commission-ordered changes to PJM's Minimum Offer Price Rule. The first option would be to maintain the zero-proxy price that was used for 2019-2020 solicitation. The second option would be to use a positive-proxy price as was used in Maryland and New Jersey. Both options would require a "Capacity Adder" (which could be a charge or credit, depending on the outcome of the Reliability Pricing Model auction) to the SOS rates in order to true up suppliers to the final capacity price. There were no objections to instituting either of the options. One supplier preferred a positive proxy price and another preferred a zero-proxy price.⁷

5. As there was minimal feedback regarding this issue from participants at the Working Group meeting, Pepco proposes to maintain the zero-proxy price for this SOS procurement cycle.⁸ Pepco DC's delivery year granularity aligns with a zero-proxy price.⁹

6. Also, at the July Working Group meeting, Pepco proposed to move the bid submittal window from Monday, 3:00 p.m. to 4:30 p.m. Eastern Time, to Monday, 10:00 a.m. to 11:30 a.m. Eastern Time. Prior to the Working Group meeting, the Company surveyed suppliers to solicit their preference for a bid submittal window. Pepco provided three options: 1) maintain the Monday afternoon window; 2) change to the Monday morning option as Pepco proposes; or 3) change to a Tuesday morning option. The results of the survey indicated that most suppliers preferred moving the bid submittal window to the Tuesday morning instead of maintaining the current window of the Monday afternoon. Eight out of eleven suppliers chose option three, changing the bid submittal window to Tuesday morning, as their first preference. Seven out of nine suppliers preferred a morning bid window as their second preference. Note, two suppliers only indicated a Tuesday bid submittal window as their first preference. Pepco proposes changing the bid window to Monday morning in order to give the Company time to prepare the WFRSAs and transaction confirmations and to give suppliers more time to submit their contracts and WFRSAs by 9:30 a.m. Eastern Time, Wednesday. Pepco notes that it is amenable to

⁵ SOS Working Group's Proposed WFRSA and RFP at 1-2.

⁶ SOS Working Group's Proposed WFRSA and RFP at 3.

⁷ SOS Working Group's Proposed WFRSA and RFP at 2.

⁸ SOS Working Group's Proposed WFRSA and RFP at 2.

⁹ SOS Working Group's Proposed WFRSA and RFP at 2.

moving the bid day to Tuesday if the Commission wants to change the bid week timeline of events.¹⁰

7. Pepco proposes the following changes to the RFP:
 - (1) Section 2.1, “Supply Requirement Overview”, advise suppliers to incorporate a capacity price component of zero dollars per megawatt-day (zero proxy price) into their offers to supply Residential and Small Commercial full requirements wholesale service for the June 1, 2022, through May 31, 2023, and June 1, 2023, through May 31, 2024, delivery years;
 - (2) Section 4.2, “Submittal of Proposals”, change the bid submittal window from Monday afternoon to Monday morning;
 - (3) Section 6, “Schedule for RFP Process”, change the bid submittal window from Monday afternoon to Monday morning and the day bid assurance collateral is due to the Friday before that Monday; and
 - (4) Appendix A, “District of Columbia SOS 2020-2021 Implementation Timeline”, revise the timeline.
8. Pepco proposes the following changes to the WFRSA:
 - (1) Article 3.3(c), “Information Sharing”, delete the requirement to provide the estimated SOS load for each of the Buyer’s Service Types two weeks prior to the beginning of the Delivery Period;
 - (2) Article 7.1(j), “Billing”, increase the term for suppliers to incorporate a capacity price component of zero per megawatt-day into their offers to supply full requirements wholesale service; and
 - (3) Exhibit E, “Billing Line Item Transfers/Sample PJM Invoice”, delete PJM billing line items 1730 (Expansion Cost Recovery Charge) and 2730 (Expansion Cost Recovery Credit) as they have been eliminated.¹¹

¹⁰ SOS Working Group’s Proposed WFRSA and RFP at 2-3.

¹¹ SOS Working Group’s Proposed WFRSA and RFP at 1-2.

IV. DECISION

9. For consistency, Pepco proposes to maintain the zero-proxy price that was used for 2019-2020 solicitation and not switch to a positive proxy price for the 2020-2021 solicitation. Both options would require a true-up to the SOS rates in order to true-up suppliers' costs to the final, actual capacity price. Using the first option which was employed in last year's D.C. SOS RFP, suppliers incorporate a capacity price component of \$0/MW-day into their offers, and for each billing month the capacity price is unknown they will receive a true-up payment to cover the actual capacity price once it is established. Using the second option which was employed in Maryland and New Jersey, suppliers incorporate a proxy price for capacity into their offers then a supplemental capacity charge or credit will be issued based on the difference between the actual price for capacity and the proxy price. Utilizing a similar methodology used by New Jersey, the positive proxy price for the District's SOS would be \$102.22/MW-day.¹²

10. Looking at these options from the bidders' perspective, both options remove the risk to bidders of unknown capacity prices. The use of a positive-proxy does, however, require SOS suppliers to take on a bit more risk.¹³ Looking at these options from the ratepayers' perspective, the positive-proxy reduces the true-up payment. Large true-up payments can, however, result in uneven rate impacts for ratepayers if the true-up allocation and the SOS rate allocation do not match. While SOS bidders may assume more risk using a positive-proxy price, the potential risk to ratepayers is greater. Therefore, the Commission believes that using a positive-proxy price could potentially mitigate any risk to ratepayers. Accordingly, the Commission hereby directs the SOS Working Group to revise the RFP and WFRSA to provide a positive-proxy price of \$102.22/MW-day, as follows:

- (1) In Section 2.1 of the RFP, "Supply Requirement Overview", on page 5, change the first paragraph to read as follows:

Suppliers are advised to incorporate a proxy capacity price component of \$102.22/MW-day for capacity into their offers for providing full-requirements wholesale supply service for the Residential and Small Commercial classes for delivery years June 1, 2022 through May 31, 2023 and the delivery year of June 1, 2023 through May 31, 2024. For each billing

¹² The methodology used in New Jersey and essentially in Maryland which used a slightly different methodology to calculate a proxy price was to take the average capacity price for the last two years in each electric distribution company zone multiplied by 0.9 to account for the fact that capacity prices in the 2019-2020 SOS service year had been a bit lower compared to the 2020-2021. See *ER19040428, In the Matter of the Provision of Basic Generation Service (BGS) For the Period Beginning June 1, 2020*, Decision and Order at 22, rel. November 13, 2019.

¹³ Specifically, capacity is priced in dollars per MW-day. When the price is known, bidders translate this cost into a dollar per MWh number assuming a load factor. Bidders take the risk that the actual load factor may be less than the assumed load factor and that they will not fully recover the cost of capacity.

month for the delivery year June 1, 2022 through May 31, 2024, an additional line item on the Seller's invoice will show a charge or credit equal to the final PJM RPM Zonal Net Load Price actually charged for load served on the day for PEPCO's PJM zone less \$102.22/MW-day multiplied by the Seller's capacity obligation for each day of the billing month in question. For avoidance of doubt, Seller will be charged or compensated for these charges for this time period only; and

- (2) In Article 7.1(j) of the WFRSA, "Billing and Settlement", on page 14, change this to read as follows:

For each billing month for the year June 1, 2022 through May 31, 2024, an additional line item on the Seller's invoice will show a charge or credit equal to the final PJM RPM Zonal Net Load Price actually charged for load served on the day for PEPCO's PJM zone less \$102.22/MW-day multiplied by the Seller's capacity obligation for each day of the billing month in question. Such amounts will be paid or, if such amounts are negative, charged to Seller.

11. While Pepco recommends changing the bid submittal window from Monday afternoon to Monday morning, none of the electricity suppliers who submit bids asked for this change. Monday afternoon bidding has been successfully used for the District's SOS procurement for years without any impact on the efficiency of the bidding process. Therefore, the Commission is not convinced that the bid submittal window should be changed. Accordingly, the Commission hereby directs the SOS Working Group to revise the RFP and WFRSA, if necessary, to change the bidding back to 3:00 p.m. to 4:30 p.m. on Monday.

12. In addition, Pepco recommends changing the day that bid assurance collateral is due to the Friday before the Monday that proposals are due in order to accommodate the proposed Monday morning bidding. Bid assurance collateral had previously been due on Monday. The Commission hereby also directs the Working Group to revise the RFP and WFRSA, if necessary, to change the day that assurance collateral is due back to Monday.

13. The Commission has reviewed the Working Group's proposed WFRSA and RFP and identified typographical and clerical errors and other changes to the RFP. The Commission, therefore, directs the Working Group to revise the RFP as follows:

- (1) In Section 4.2, "Submittal of Proposals", on page 13, on line 7 of the 1st paragraph of that section, add "p.m." to the proposal withdraw time so that it reads, "A bidder may

withdraw its proposal(s) before 4:30 p.m. ET on the due date.”;

- (2) In Section 4.6, “Evaluation of Proposals”, on page 15, on line 3 of the 2nd paragraph, change “12 month bids” to “12-month bids” and “36 month bids” to “36-month bids” for consistency; and
- (3) Appendix E, remove fax numbers from Bid Form Spreadsheets, consistent with Section 4.1, “Bid Format”, on page 11, in the 3rd paragraph in that section.

14. The Commission adopts the SOS Working Group’s proposed WFRSA and RFP for the 2020-2021 SOS Solicitation as modified herein. The Working Group shall file a complete copy of the WFRSA and RFP with the changes incorporated by October 5, 2020.

THEREFORE, IT IS ORDERED THAT:

15. The Standard Offer Service Working Group’s proposed Wholesale Full Requirements Service Agreement and Request for Proposals for the 2020 to 2021 Standard Offer Service Solicitation, as modified by this Order, are hereby **APPROVED** and **ADOPTED**; and

16. 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 2020 to 2021 Standard Offer Service Solicitation with the Commission Secretary by October 5, 2020.

A TRUE COPY:

BY DIRECTION OF THE COMMISSION:

A handwritten signature in black ink, appearing to read "Brinda Westbrook-Sedgwick".

CHIEF CLERK

**BRINDA WESTBROOK-SEDGWICK
COMMISSION SECRETARY**