

2013 RESOURCE ADEQUACY RFP QUESTIONS AND ANSWERS

Posted to solicitation website on 08/30/2012

The below Questions were submitted through the August 29th deadline. In some cases questions were reworded to remove confidential information, conceal the submitter's identity, and/or for clarity. Although grouped by subject matter the questions are not listed in any particular order.

Master Agreement

- Q1a. We are not currently enabled under an EEI Master Agreement with SDG&E and therefore we would prefer to transact under the WSPP.**
- Q1b. If a party already has a Master WSPP agreement in place, can that be used as the Master Agreement for the bid rather than an EEI?**
- A1. *SDG&E intends that transactions resulting from this RFP be transacted under the EEI Master Agreement. The Confirmation Template posted at the RFP website is a long-form EEI confirmation and thus anticipates that there is no existing EEI Master Agreement with the counterparty (i.e., it only applies to the instant transaction and not future transactions as would be the case with a fully executed EEI Master). In situations where an EEI Master already exists between the Parties, a few modifications would be made to the Confirmation Template to acknowledge the existing executed EEI Master.*

Respondents are reminded to review the information regarding Confirmation Template redlines contained in paragraph "2) Confirmation Template" under the Required Participation Documents heading in Section 8 - RFP Response Instructions of the RFP Description document (Page 8).

Imported RA

- Q2a. Would you consider purchasing NOB or COB as an Inter-Tie Import?**
- Q2b. Does SDG&E have an import allocation from AZ?**
- A2. *The RFP contemplates Q3 offers for imported System RA. Respondents are encouraged to package import allocations with their proposals. However, if the proposed inter-tie point is at PALOVRDE_MSL, MEAD_MSL, PACI_MSL (i.e., COB), ELDORADO_MSL, VICTVL_MSL, or COTP_MSL SDG&E would consider using its 2013 import allocation at these inter-tie points to facilitate the transaction. For any other inter-tie point the proposal MUST be packaged with the required import allocation. Note: **VICTVL_MSL** and **COTP_MSL** are added here as they were inadvertently omitted from the RFP Description document.*
- Q3. The Confirmation Template located on the RFP Website seems to be drafted for in-state System or Local RA but does not seem to facilitate an Inter-Tie Import product. Does SDG&E have a Confirmation Template for an Inter-Tie Import RA product? Alternatively, if SDG&E does not have a Confirmation Template for an Inter-Tie Import transaction, will SDG&E consider a WSPP template for an Inter-Tie Import transaction which we have used on such transactions?**
- A3. *SDG&E strongly prefers using the EEI and all redlines tailoring the project proposal should be based on this starting point.*

Pricing Units

- Q4a.** Pricing on the worksheet is for \$/kw-day....Is this correct? Normally this product trades in \$/kw-month.
- Q4b.** When we submit our offer prices, do you want us to submit offers in \$kw-day or \$kw-month?
- A4. *While a deviation from past RA contracting practices, the RFP does request daily pricing. Given the CAISO's pending Replacement Rule Amendment¹ to its Tariff, SDG&E requests daily pricing to conform to the daily replacement requirement.*

RA Characteristics

- Q5.** Does it matter whether System RA is in NP-15 or SP-15?
- A5. Respondents are encouraged to submit offers for both NP-15 and SP-15.
- Q6.** We are considering responding to the SDG&E 2013 RA RFO. We last operated in 2007 and according to CAISO might need to re-establish its standing on the Net Qualifying Capacity (NQC) list. If this requirement is confirmed, CAISO advises the Deliverability Study required will be associated with the Cluster 6 review process which doesn't start until spring 2013 and end spring 2014. We conclude that this schedule would prevent it from being selected by SDG&E as a 2013 RA resource. Does SDG&E have any comment on the CAISO requirement and does SDG&E reach the same conclusion reached by us as far as 2013 eligibility for an RA contract?
- A6. *To be included in a conforming offer into this RFP, a CAISO resource must have a 2013 NQC value assigned to it. SDG&E cannot comment on the CAISO's procedures and timelines, but if an NQC value were not assigned until 2014 it would make it ineligible for inclusion in this Request For Proposals.*

RA Product Quantities

- Q7.** Will SDG&E clarify the maximum quantities it will consider for each product, including Inter-Tie points?
- A7. *SDG&E's 2013 RA portfolio varies widely throughout the year as to the quantities of need and surplus for the RA Products requested. It is not SDG&E's intention to publically identify specific quantities for the RA Products requested.*

Diverse Business Enterprise (DBE)

- Q8.** I am a DBE with power marketing status and am working with a supplier who has capacity in CA. I would like to know if it is possible to use the FTAA (Funds Transfer Agreement) for use any contract secured via this RFP. The counterparty has assets in CA and is interested in looking at this opportunity with my company as the DBE supplier.
- A8. *DBEs are welcome to submit proposals into this RFP and FTAA's may be considered. However, depending on term/quantity and the resulting exposure, an FTAA may not fulfill SDG&E's collateral requirement in which case additional collateral would have to be arranged.*

¹ <http://www.caiso.com/Documents/SecondRevisedDraftTariffLanguage-ReplacementRequirement-ScheduledGenerationOutages.doc>

Appendix B

Q9. Can you explain the usage of Appendix B?

- A9. *Appendix B essentially determines which Party takes on the responsibility for & risk of replacing generation during scheduled maintenance outages. For scheduled maintenance outages listed on Appendix B the Buyer assumes replacement responsibility and risk for Appendix B outages. All other outages, including subsequent changes to the pre-determined Appendix B outages, are the responsibility of the Seller. When Seller elects to make Appendix B not applicable, Seller is selling a firm RA product. When Appendix B is applicable it is essentially a firm RA contract but for the outages listed in Appendix B. Respondents would be well advised to fully understand the new-for-2013 CAISO replacement requirements for scheduled generation outages².*

Additional information about the usage of Appendix B was contained in the RFP Description document. For the sake of convenience, Section 2.B – Scheduled Maintenance is repeated here. Note the three typo corrections as well:

2. PRODUCT DESCRIPTION

B. SCHEDULED MAINTENANCE

SDG&E's buying preference is for firm RA with the only excuse for non-delivery being force majeure. However, Section 3.3 of the *Confirmation Template* provides for a Seller-selected option to include an Appendix B having to do with scheduled maintenance. The descriptions below give a brief overview of the difference between Appendix B being applicable and Appendix B NOT being applicable.

With Appendix B Applicable: Seller shall provide buyer with RA in the quantity proposed (the "Contract Quantity") and seller shall provide buyer with a schedule of the unit(s) planned maintenance outages which shall be listed in Appendix B and the "Appendix B is applicable" election shall be indicated in Section 3.3 of the *Confirmation Template* (Contract Quantity minus the planned outage forming the "Seller's Firm Quantity" applicable during such outages). The outages listed in Attachment B and the timing of these outages would be negotiable prior to execution of the confirmation to optimize their timing with particular regard to SDG&E's overall RA portfolio. For any time period of the contract term when there are no planned maintenance outages listed in Appendix B, the Seller's ~~Contract Firm~~ Quantity equals the Contract Quantity. If the Contract Quantity is not available for any reason, including planned outages, seller must provide buyer with replacement RA, but only up to the Seller's Firm Quantity. Seller is paid for the Seller's Firm Quantity.

With Appendix B NOT Applicable: Seller shall provide buyer with the Contract Quantity in the quantity proposed. During the entire contract term the Seller's ~~Contract Firm~~ Quantity equals the Contract Quantity. If the Seller's ~~Contract Firm~~ Quantity is not available for any reason, including planned outages, seller must provide buyer with replacement RA. Seller is paid for the provided quantity of RA.

It should be noted that the expectation is that there would be a pricing differential between these options. The Respondents is advised to take due diligence in reviewing the Confirmation Template so as to be sure to understand the significance of electing or not electing an Appendix B.

² <http://www.aiso.com/informed/Pages/StakeholderProcesses/ReplacementRequirementScheduledGenerationOutages.aspx>