# PJM Backstop Procurement Workshop

## RFP Evaluation & Selection Process – General Discussion

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# Agenda

**CRA Energy Practice Overview**
- Experience & Procurement Solutions

**RFP Overview**
- Choosing RFP Format
- Typical Resource Procurement Process
- Typical RFP Timeline
- Example Eligibility / Threshold Requirements

**Evaluation Process Overview**
- Qualitative Evaluation Criteria
- Price Evaluation Considerations
- Final Selection Process

# CRA Energy Practice – Procurement Solutions Overview

**Summary**

CRA advises utilities, grid operators, regulators, and market participants on all aspects of energy procurement. We design and run competitive processes, guide evaluation and selection, and support negotiations and regulatory filings. Our team also facilitates buy- and sell-side transactions across capacity, energy, transmission, and tailored power products.

**Typical Roles**

- RFP Administrator – Generation and Transmission Solutions
- Independent Evaluator / Monitor – Generation Procurement
- Default Service / Standard-Offer-Service Auction Administrator
- IRP / RFP Stakeholder Engagement
- State and FERC Testimony on Procurement Process / Necessity

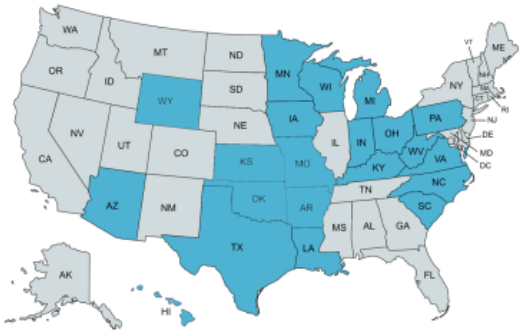
## Solicitation Formats

1. RFIs
2. RFP - One-shot bid
3. RFP - Two-step qual-bid
4. Clock Auction
5. Anglo-Dutch Auction
6. Clock auction / one-shot hybrid

## Economic Evaluation

1. LCOE / LCOC
2. Value-to-Cost
3. NPV / NPVRR
4. Production Cost Modelling – Net System Revenue Requirements

## Procurement Experience




## RFP Process Approach

Define need → Design RFP → Engage market / Stakeholders → Issue RFP → Evaluate & shortlist → Select & file



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# Choosing the RFP Format

The RFP format depends on the specific needs, complexity of the ask, and time constraints

## Examples of RFP Variations

**Invitational RFP (Selective Bidding)**

- **Suitable For**: Projects that require specific expertise or quality standards.
- **Advantages**: Can target suppliers with proven track records, reducing risk.
- **Disadvantages**: May limit competition, potentially increasing costs.

**Negotiated RFP**

- **Suitable For**: Complex projects where collaboration with the supplier is necessary to define the final scope.
- **Advantages**: Allows for negotiation and refinement of proposals.
- **Disadvantages**: Time-consuming; may reduce transparency.

**Two-Stage RFP**

- **Suitable For**: Complex or innovative projects where initial solutions need to be explored.
- **Advantages**: Allows for iterative development and refinement of proposals.
- **Disadvantages**: Can be time-consuming and administratively burdensome.

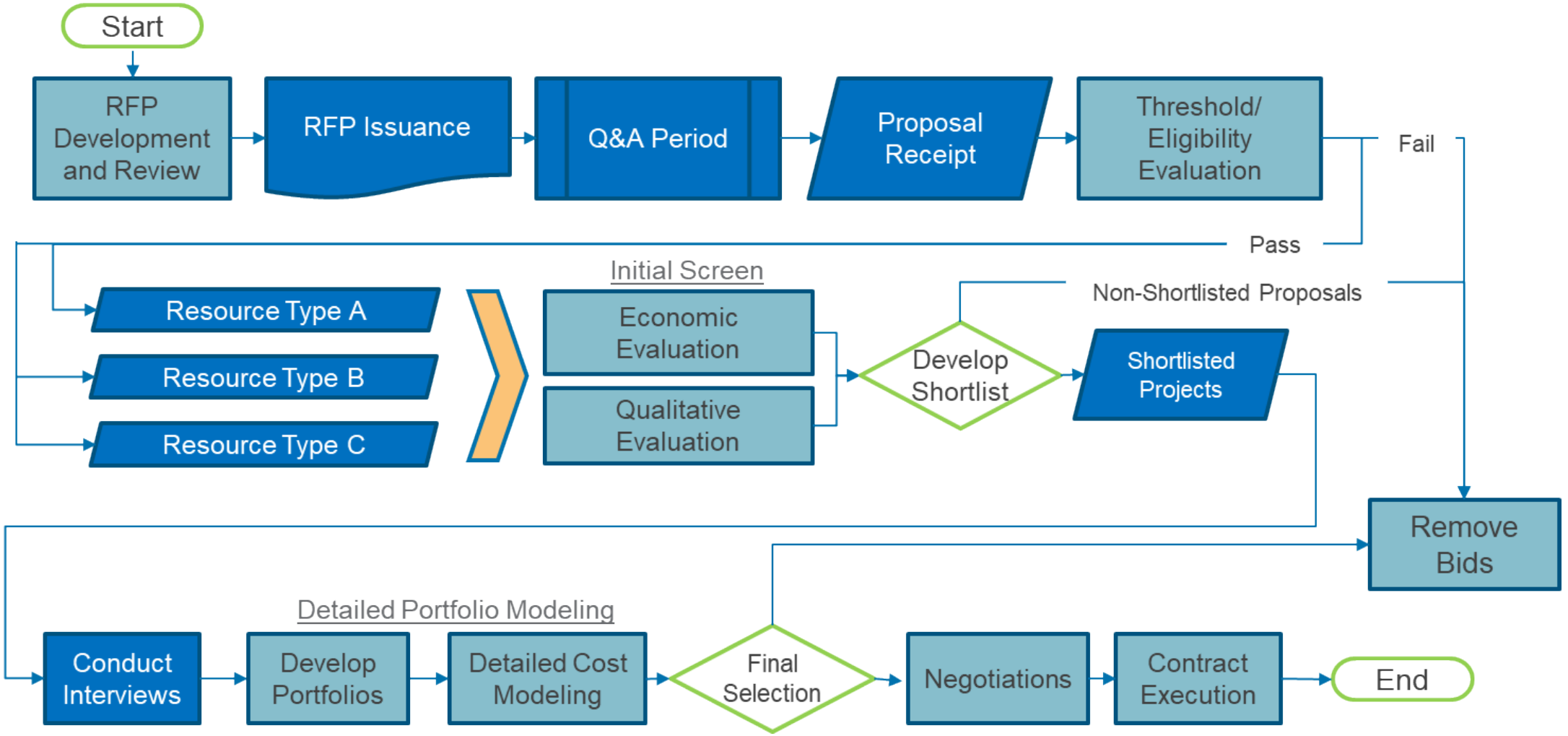
**Request for Information (RFI) followed by RFP**

- **Suitable For**: Situations where more information is needed before a detailed RFP can be issued.
- **Advantages**: Helps in understanding market capabilities and supplier interest.
- **Disadvantages**: Adds an additional step to the procurement process.

### Additional Design Options

- ✓ Bid Submission Format
- ✓ Fixed Schedule or Open Ended
- ✓ Single or Recurring
- ✓ Bidders pay to participate or not
- ✓ Penalty Structure/LDs

# Typical Resource Procurement Process



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# Typical RFP Timeline

| Date | Typical Timeline | Rationale |
|---|---|---|
| RFP Issuance | Day 0 | |
| Bidders Conference | +10 to 14 days | Provide sufficient time for bidders to RSVP and prepare questions |
| Notice of Intent (optional) | +14 days | Allow a reasonable amount of time for bidders to become aware of the RFP |
| Deadline for Questions | 7 days prior to due date | Allow sufficient time to respond and allow bidders to react |
| RFP Due Date | +45 to 60 days | Depends on complexity of the RFP |
| Evaluation and Selection | 45 to 90 days | Depends on complexity of the RFP and evaluation steps |

# Example Eligibility/Threshold Requirements

## Best Practices Overview

- **First evaluation step in any RFP**
- **Best Practice:** Items that can be objectively, clearly assessed (can be determined to be “yes” or “no”).
- **Example:**
    - **Bad Criteria:**
        - Bidder must provide sufficient evidence to satisfaction of the LSE that it has secured community acceptance
    - **Good Criteria:**
        - COD: Must be no later than 5/2029

## Example Criteria

- COD Compliance
- Technology – Of type(s) specified
- Location – Within a specified area, a zone or clearing within zone
- Interconnection status – Having a clear, advanced state in an interconnection queue
- Documentation List – Provided requested documentation (check list)

# Qualitative Evaluation Criteria

- Bidder experience and financial considerations
  - Track record of developing similar facilities: Developer has prior experience with same technology, preferably in same jurisdiction
  - Financing plan, creditworthiness or backing: Ability for the entity to achieve financing for the project
- Development Risk
  - Interconnection status: Queue position, current status
  - Permitting status:  Identifying required permits and timeline
  - EPC status:  Selected EPC? Equipment procured?
  - Project schedule:  Reasonable with respect to COD?
- Technical/Performance Standards: Equipment recognized as “bankable” or of reasonable quality, able to operate reliably on the grid
- Community Acceptance and Outreach: Determine if bidder has assessed community opposition, status and plan to gain acceptance
- Exceptions to terms and conditions: Determine the extent to which the balance of risk has shifted from the bidder to the LSE and its customers

The primary purpose of qualitative criteria is to assess the risk that a project will meet COD, satisfy the need and operate reliably as expected

The secondary purpose of qualitative criteria is to evaluate other beneficial aspects that are important to the LSEs and its customers

# Price Evaluation Considerations

## Purpose

- The purpose of the price evaluation is to incentivize the bidding of resources at the lowest reasonable cost over time
- Uneven term lengths pose a challenge in consistent economic evaluation; however, longer terms are typically expected to offer better price / value

## Comparative Metrics

**LCOE / LCOC**

LCOE: PV of all Costs / PV of MWh

LCOC: PV of all Costs / PV of Capacity Credits

**LCOEp / LCOCp – "net premium approach"**

LCOE&C: [PV of Energy, REC and Capacity Costs] / [PV of MWh or Capacity] – [PV of Fwd 8760 Energy, REC and Capacity Value] / [PV of same MWh or Capacity]

**Net impact on LSE Revenue Requirements**

Evaluate net power portfolio impacts on total projected fuel & purchased power costs, which folds into LSE RR – purpose to seek the project or combo of projects that have the greatest absolute impact on future costs

**Value-to-Cost**

V2C: [PV of Value Streams] / [PV of Cost Streams]

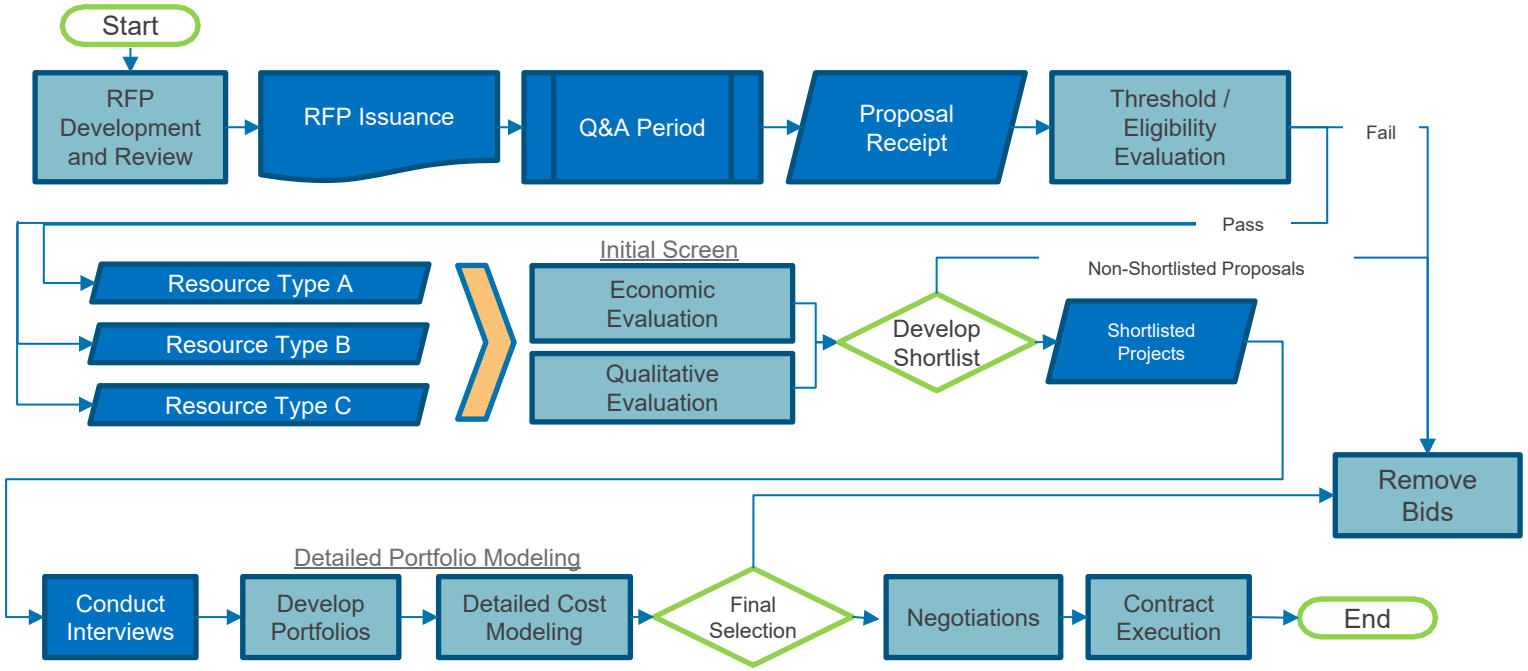
Value: Energy forwards, Capacity projection, Ancillary Services, REC forecast

Cost: Per bid

# Final Selection Process

## Considerations

- Depends on RFP selection format:  top ranked portfolio / resources based on “best value” (composite score) or least cost that met a minimum qualitative threshold bar
- Utilities typically reserve the right to return to the shortlist should contract negotiations conclude prematurely
- When procuring dissimilar resource types, portfolio modeling is typically conducted to confirm system value



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