

INTRODUCTION

The following question(s) were submitted by interested parties through email (delivered to MDPSC-NGEA-Storage@poweradvisoryllc.com). Some questions have been slightly modified for clarity. Answers were originally posted to the Frequently Asked Questions (FAQs) webpage of the NGEA RFA website.

Q&A

Q1. The Request for Applications (RFA) specifies that the ELCC/Capacity Accreditation value will be fixed for establishing Energy Storage Capacity Credit (ESCC) payments. Under this approach, we are concerned that ratepayers will face the risk associated with declines in the ELCC/Capacity Accreditation value. Why has the RFA Administrator elected to not change the ESCC payment formula to reflect changes in the ELCC/Capacity Accreditation value?

If Applicants are required to bear the risk associated with changes in the ELCC/Capacity Accreditation value, Applicants would price in the risk of these changes into their proposed pricing. This would result in appreciably higher ESCC prices and heightened financing risks, which will likely result in higher interest rates on project debt and overall financing costs. It is also possible that some parties could elect to not participate in the RFA given the perceived risks, potentially diminishing the competitiveness of results. The expected decline in capacity accreditation value according to PJM's current ELCC methodology will be factored into Benefit Cost Analysis calculations during project evaluations. Therefore, the Commission has accepted the RFA Administrator's proposal to fix the ELCC/Capacity Accreditation value in the ESCC payment formula.

Q2. We recommend the use of resource specific capacity accreditation values for hybrid projects for settlement.

We agree with this recommendation in principle but find that requiring projects to have established resource-specific accreditation values at the time of application submission is likely to limit participation of hybrid projects in the solicitation because of increased uncertainty and PJM timelines. The current approach encourages hybrid projects but holds them to a standalone storage project as a benchmark for settlement. With this approach, ratepayers are not taking the risk of actual resource-specific accreditation of the hybrid project allocable to the storage component (net of standalone generation accreditation) being lower than the class average for standalone storage. We are open to considering use of resource-specific capacity accreditation values for hybrid projects during Round 2.

Q3. The RFA notes that "Cost-effective means having projected benefits that are greater than projected costs while considering other factors as determined by the



Commission" and further specifies that "the Commission may determine that qualitative factors or non-quantifiable benefits warrant consideration of Projects that may have a benefit-cost ratio of less than 1.0." We are concerned that achieving a benefit-cost ratio of 1.0 or greater is unlikely and are trying to assess what these qualitative factors or non-quantifiable benefits might be and whether they are likely to cause the Commission to determine that a benefit-cost ratio of less than 1.0 is in the public interest. Can you provide any guidance regarding such a determination?

The determination as to whether Applications that have a benefit-cost ratio of less than 1.0 meet the goals of the Next Generation Energy Act will be made by the Commission. Nonetheless, it is reasonable to assume that the Commission will weigh the legislative direction to procure up to 1,600 MW of transmission connected energy storage and other project benefits that cannot readily be quantified when making a determination as to whether to approve such Applications even if they do not have a benefit-cost ratio of 1.0 or greater. Furthermore, if Applications do not have a benefit-cost ratio of 1.0 or greater, the RFA Administrator will assess the competitiveness of the ESCC Price Schedule offered relative to other cost benchmarks to aid the Commission in their final decision.

Q4. The RFA language is not clear about the obligations that a bidder undertakes when submitting an application. In particular, there is no indication of when a formal contract and terms and conditions will be shared or negotiated with the Commission.

There will not be a contract between successful Applicants and the Commission or Electricity Suppliers. The commercial relationship between successful Applicants, the Commission, the Escrow Account Administrator and Electricity Suppliers will be outlined later. Although the Code of Maryland Regulations ("COMAR") 20.61.06 that apply to offshore wind projects that are selected by the Commission are illustrative, the aggressive timelines for NGEA implementation will likely result in similar commercial relationships being outlined in future Commission orders rather than regulations.