

May 28, 2010

VIA HAND DELIVERY & ELECTRONIC MAIL

Luly E. Massaro, Commission Clerk
Rhode Island Public Utilities Commission
89 Jefferson Boulevard
Warwick, RI 02888

**RE: Docket 4150 - Long-Term Contracts for Renewable Energy Projects
National Grid Responses to Commission Data Requests**

Dear Ms. Massaro:

I have enclosed ten (10) copies of National Grid's¹ response to Commission Data Request 1-3 in the above-captioned proceeding. This transmittal completes the Company's responses to the Commission's First Set of Data Requests.

Thank you for your attention to this transmittal. If you have any questions, please feel free to contact me at (401) 784-7667.

Very truly yours,



Thomas R. Teehan

Enclosure

cc: Leo Wold, Esq.
Steve Scialabba, Division

¹ Narragansett Electric Company d/b/a National Grid ("National Grid" or the "Company")

Certificate of Service

I hereby certify that a copy of the cover letter and/or any materials accompanying this certificate were electronically submitted and/or sent via U.S. Mail to the individuals listed below. Ten (10) copies of this filing were hand delivered to the RI Public Utilities Commission.



May 28, 2010

Joanne M. Scanlon
National Grid

Date

**Docket No. 4150 National Grid – Long-Term Contracting for Renewable Energy Projects Pursuant to R.I.G.L. Section 39-26.1 et seq.
Service List updated 3/19/10**

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Commission Data Request 1-3

Request:

Please provide a redlined updated version of the draft RFP in light of the pending Ridgewood contract.

Response:

A red-lined updated version of the draft RFP is attached as Attachment Comm. 1-3.

Prepared by or under the supervision of: Madison N. Milhous, Jr.

REQUEST FOR PROPOSALS

FOR

**LONG-TERM CONTRACTS FOR
RENEWABLE ENERGY PROJECTS**

Issuance Date:

| [The](#) Narragansett Electric Company d/b/a National Grid

nationalgrid

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I. Introduction and Overview

1.1 Purpose of the Request for Proposals (“RFP”)

The Narragansett Electric Company d/b/a National Grid (“National Grid”), an investor-owned electric distribution company serving customers in the State of Rhode Island, is seeking proposals for the supply of electric capacity and energy and Renewable Energy Certificates and related attributes (including Certificates issued in the New England Power Pool Generation Information System) (collectively, “RECs”) from eligible renewable energy projects under long-term power purchase agreements (“PPAs” and individually a “PPA”) pursuant to Chapter 26.1 of Title 39 of the Rhode Island General Laws, entitled Long-Term Contracting Standard for Renewable Energy (“the Long Term Contracting Standard”). In addition, National Grid is issuing this RFP in accordance with regulations (the “Regulations”) promulgated under Chapter 26.1 by the Rhode Island Public Utilities Commission (“RI PUC”), which became effective January 28, 2010. In this RFP, National Grid is soliciting capacity, energy and RECs from renewable energy capacity resources, pursuant to PPAs with durations of 10-15 years. As explained in Section 1.2, the law states that National Grid is not required to enter into contracts in excess of twenty-five percent (25%) of the minimum long-term contract capacity required under the Long-Term Contracting Standard or 22.5 MW, but may do so voluntarily, subject to commission approval.¹ Under a new provision of the Long-Term Contracting Standard, which became effective on May 20, 2010, National Grid has executed a PPA for 27.3 MW of contract capacity, which is equal to approximately 30% of the 90 MW minimum long-term contracting requirement. Thus, National Grid has already exceeded the maximum amount that National Grid is required to procure in this first solicitation. Nevertheless, National Grid intends to proceed with this solicitation on a voluntary basis and will consider, in its sole discretion, all bids submitted. If National Grid selects any projects, the terms of any PPAs will be finalized between National Grid and successful bidders based on the bids submitted and selected in accordance with the process set forth in this RFP.²

Deleted: approximately 22.5 MW of

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Deleted: Of this total, approximately one (1) MW will be dedicated to solar or photovoltaic projects located within the state of Rhode Island

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The fundamental purpose of the RFP is to satisfy the policy directives encompassed within the Long Term Contracting Standard, which require National Grid to seek to develop commercially reasonable long-term contracts with developers or sponsors of newly developed renewable energy resources, with the goals of stabilizing long-term energy prices, enhancing environmental quality, creating jobs in Rhode Island, and facilitating the financing of renewable energy generation within the jurisdictional boundaries of the state or adjacent state or federal waters or providing direct economic benefit to the state.

This RFP outlines the process that National Grid plans to follow to satisfy their its obligations regarding the first of four solicitations required under the Long Term Contracting Standard and the

¹ The statute defines minimum long-term contract capacity as 90 MW, of which 3 MW must be solar or photovoltaic projects. In determining whether the minimum long-term contract capacity has been reached, the capacity shall be adjusted by the capacity factor of each renewable energy resource.

² The actual amount of electric energy and RECs to be procured under this RFP will depend upon National Grid’s assessment of the bids submitted. The total amount of renewable resource capacity is the minimum long-term contract capacity of 90 MW (788,400 MWh/year), to be procured over four RFP processes conducted annually over a four year period beginning in July 2010. The amount procured in any given year may be reduced by procurements conducted under other provisions of the Long Term Contracting Standard.

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Regulations, sets forth timetables regarding the solicitation process, provides information and instructions to prospective bidders, and describes the bid-evaluation process that will be followed once bids are received.

1.2 Statutory Framework Established by The Long-Term Contracting Standard

The Long Term Contracting Standard requires that beginning on July 1, 2010, National Grid conduct four annual solicitations of proposals from renewable energy developers and, provided commercially reasonable³ proposals have been received, enter into long-term contracts with terms of up to fifteen (15) years⁴ for the purchase of capacity, energy and attributes from newly developed renewable energy resources. National Grid is not required to enter into long-term contracts that exceed the following four-year phased schedule:

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By December 30, 2010: 25% of the minimum long-term contract capacity

By December 30, 2011: 50% of the minimum long-term contract capacity

By December 30, 2012: 75% of the minimum long-term contract capacity

By December 30, 2013: 100% of the minimum long-term contract capacity, but may do so earlier, subject to RI PUC approval.

Under the provisions of Section 39-28-1.9, National Grid recently negotiated a PPA for the Town of Johnston Project, which will provide 27.3 MW of contract capacity, or 30.3 percent of the requirement of 90 MW.

While the full requirement of 22.5 MW to be procured by December 30, 2010 has been met, National Grid has nevertheless decided to proceed with this solicitation. As stated in the footnote on the first page of this RFP, the amount of energy and RECs procured in this solicitation will depend entirely on National Grid's evaluation of the bids submitted and National Grid's judgment whether there is value in selecting additional projects for the benefit of customers.

Deleted: In addition, National Grid may, in its sole discretion, immediately, and from time to time, procure additional commercially reasonable contracts for newly developed renewable energy resources on an earlier timetable or above the minimum long term contract capacity, subject to RI PUC approval. This procurement process may include individual negotiations. ¶

To be eligible under this RFP, a generator must be a "newly developed renewable energy resource" under the Long Term Contracting Standard and the Regulations. A "newly developed renewable resource" is defined as electric generation units that use exclusively an eligible renewable energy resource (as defined under R.I.G.L. § 39-26-5 and Section 5 of the Rules and Regulations governing the Implementation of a Renewable Energy Standard, effective July 25, 2007, promulgated under R.I.G.L. §39-26-5), and that have neither begun operation, nor have the developers of the units implemented investment or lending arrangements necessary to finance the construction of the unit;

³ "Commercially reasonable" means terms and pricing that are reasonably consistent with what an experienced power market analyst would expect to see in transactions involving newly developed renewable energy resources. Commercially reasonable also includes having a credible project operation date, but a project need not have completed the requisite permitting process to be considered commercially reasonable. The Regulations have defined credible operation date to mean that a project is more likely than not to come on line within ninety (90) days of that which is projected as evidenced by documentation filed by the renewable energy developer in the response to this RFP.

⁴ National Grid may enter into contracts for term lengths longer than fifteen (15) years, subject to RI PUC approval.

provided, however, that any such projects located within the State of Rhode Island that have obtained project financing on or after January 1, 2009 shall also qualify under this RFP.

In determining whether National Grid has satisfied the minimum long term contract capacity requirement under the Long Term Contracting Standard, the nameplate capacity under contract shall be adjusted by the capacity factor of each renewable generator as determined by the ISO New England (“ISO-NE”) rules. For this RFP, and for future solicitations, the annual net capacity factor shall be used. This is the projected annual net (alternating current) electric output of the facility, divided by the product of the maximum net hourly output of the facility and 8760 hours/year.

All approved projects, regardless of their location, must provide other direct economic benefits to the State of Rhode Island, such as job creation, increased property tax revenues, or other similar revenues deemed substantial by the RI PUC as determined on a case-by-case basis.

In summary, the following requirements must be met for approval of a PPA by the RI PUC.

- (a) the project must be qualified as a “newly developed renewable energy resource,”
- (b) the PPA must be commercially reasonable,
- (c) the project must provide direct economic benefits to Rhode Island, such as job creation or tax revenues.

Deleted: Under Section 39-26.1-7 of the Long Term Contracting Standard, National Grid was required to solicit proposals for one newly developed renewable energy resource project to enhance the electric reliability and environmental quality of the Town of New Shoreham. A PPA for this project was filed with the RI PUC on December 9, 2009. The contract capacity from that project, should the PPA be approved by the RI PUC, will count toward the minimum long term contract capacity of 90 MW. That project has a contract capacity of 11.52 MW. National Grid has determined to allocate one quarter of that PPA’s total contract capacity to each of its four solicitations under the Long Term Contracting Standard.¶

1.3 Procurement Process and Bid Evaluation Approach

The procurement process is designed to have three stages of evaluation, as described in Section 2.1 of the RFP. Initially, bids will be evaluated on the basis of whether certain eligibility and threshold requirements are satisfied. Eligibility requirements are designed to ensure that the bids under review offer the appropriate product and PPA tenor from qualifying newly developed renewable energy resources. Threshold requirements are designed to ensure that proposed projects satisfy statutory criteria under the Long Term Contracting Standard and meet minimum standards for viability. In the second stage, bids will be evaluated in a technology-neutral manner based on specified price and non-price evaluation criteria. This portion of the bid evaluation will be quantitative in nature (i.e., a quantitative scoring system will be utilized). Projects that pass the eligibility and threshold review and that are scored favorably in the second stage of the evaluation process will advance to the final stage of the evaluation process. At this third stage of the process, further evaluation of the remaining bids will be conducted on matters pertaining to project viability and the extent to which the bids, individually and as a portfolio, achieve a variety of objectives, including cost effectiveness and diversity of resources. National Grid will select bids for PPA consideration and negotiation from this pool. All three stages of the evaluation process, including the pertinent criteria, are described in Section II of this RFP.

1.4 Communications between National Grid and Bidders

With the exception of the pre-bid conference (see Section III, Paragraph 3.1 below), all pre-bid contact with prospective bidders and other interested parties will be via email and the National Grid energy procurement website. Questions should be submitted by email as indicated in Section III,

Paragraph 3.5 of this RFP, and responses will be posted to the website. Bids will be submitted to National Grid at the address set forth in Section III, Paragraph 3.5 of this RFP.

Following submission of bids, it will be the responsibility of the bidders to keep National Grid informed of any changes in the status of their bids. This responsibility is applicable until such time as each bidder has been notified that the bid has been shortlisted or not shortlisted. National Grid will retain the right to seek additional information from any bidder, as well as to negotiate modified pricing before a final contract is developed.

1.5 RFP Process

The timeline for the bidding process following the issuance of this RFP, as well as the schedule for other steps in the process including approval by the RI PUC, is set forth below at Section 3.1.

II. Bid Evaluation and Selection Criteria and Process

2.1 Overview of Bid Evaluation and Selection Process

Once bids are received by National Grid, the proposals will be subject to a consistent and defined review, evaluation and short-list selection process. The first stage consists of a review of whether the bids satisfy specified eligibility, threshold and other minimum requirements set forth in Section 2.2 of this RFP. The second stage consists of a combined price and non-price evaluation of bids that pass the first stage review, as described in Section 2.3 of this RFP. Bids that are selected for further review will enter a final stage of review which will involve additional risk assessment and consideration of the bids from a portfolio perspective consistent with the criteria set forth in Section 2.4 of this RFP.

Subsequent to the selection of the short list, National Grid will conduct any additional evaluation as required, select bids for contract negotiations, and will file any and all executed contracts for review and approval by the RI PUC. This post-short list selection stage of the process is described in Section 2.5 of this RFP.

2.2 Eligibility, Threshold and Other Minimum Requirements—Stage One of the Evaluation Process

2.2.1 Introduction

In order for a bid to qualify for detailed evaluation, it must satisfy certain requirements pursuant to this RFP. These requirements pertain to eligibility, a variety of threshold requirements and other requirements pertaining to participation in this RFP, including bidder certifications and allowable pricing. Following receipt of the bids, the bids will be reviewed to determine whether they satisfy these minimum requirements. Bids that do not satisfy these Stage One requirements may be

disqualified from further review and evaluation.⁵ Stage One requirements are set forth in the following section of this RFP.

2.2.2 Eligibility Requirements

All proposals must meet the following eligibility requirements set forth below. Specifically, proposals will be considered from an “Eligible Bidder” with respect to “Eligible Products” generated from an “Eligible Facility.” The Eligible Products must be offered over the “Allowable Contract Term” in quantities that are equal or greater than the “Minimum Contract Size.” Failure to meet any of these requirements could lead to disqualification of the proposal from further review and evaluation.

2.2.2.1 Eligible Bidder

An Eligible Bidder is the owner of an Eligible Facility or of the development rights to an Eligible Facility, i.e., the developer of the Eligible Facility.

2.2.2.2 Eligible Facility

An Eligible Facility must be an electric generation facility that satisfies each of the following standards:

- a. The electric generation facility must qualify as an eligible renewable energy resource as defined R.I.G.L. § 39-26-5 and Section 5 of the RI PUC Regulations governing the Implementation of a Renewable Energy Standard, effective July 25, 2007, promulgated under R.I.G.L. §39-26-5.
- b. The facility must qualify as a newly developed renewable energy resource as defined in R.I.G.L. §39-26.1-2(6). The generation units must not have begun operation, nor have the developers implemented investment or lending arrangements to finance construction; provided, however, that any projects located within the state of Rhode Island which obtain project financing on or after January 1, 2009 shall qualify for this initial solicitation.
- c. All projects, regardless of their location, shall provide other direct economic benefits to the State of Rhode Island, such as job creation, increased property tax revenues, or other similar revenues.

2.2.2.3 Eligible Products

An Eligible Bidder must propose to sell electric capacity, energy and/or RECs from an Eligible Facility under a PPA. The structure of the contract must be both unit-specific and unit-contingent. With respect to electric capacity, the Eligible Bidder must propose a means of addressing the sale of

⁵National Grid may conduct additional evaluation on bids at its discretion before the Stage One evaluation is completed.

that capacity within the context of the ISO-NE Forward Capacity Market. To the extent any such bids are received from “behind-the-meter” projects that intend to take advantage of net metering, the big evaluation will take into account any lost delivery revenues as part of the economic evaluation and impact on customers, because those lost delivery revenues will be reimbursed by all other distribution customers through pre-existing rate reconciliation mechanisms.

2.2.2.4 Allowable Contract Term

Consistent with the definition of long term contract in Section 3 of the Regulations, an Eligible Bidder may submit a proposal for the sale of Eligible Products from an Eligible Facility for a term of 10 to 15 years, at the bidder’s discretion. Contract terms may be greater than fifteen (15) years upon approval of the RI PUC. Bidders seeking contract terms longer than 15 years must demonstrate why the longer contract term is appropriate, and must submit pricing schedules for both 15 years and for the longer term. The two pricing schedules will be used to evaluate any economic justification for the longer term.

2.2.2.5 Minimum Contract Size

The Minimum Contract Size is the proposed sale of Eligible Products from all or a portion of the net generating capability of an Eligible Facility at a specific site that is, at a minimum, one (1) MW.⁶ A bidder may bid the capacity and the entire production of energy and RECs from its proposed Eligible Facility, or from any portion of its proposed Eligible Facility. The contract capacity under this RFP shall be determined by the product of the maximum net generating capability of the unit(s) and the expected annual capacity factor. Under this RFP, there is not a maximum contract size *per se*. However, National Grid may be constrained in light of the objective of this particular RFP process (as described above), and 90 MW total over four solicitations.

Deleted: to procure approximately 22.5 MW in
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Based on comments received on the draft RFP, National Grid has determined that a minimum contract size of 500 kW is acceptable for solar projects only.

2.2.3 Threshold Requirements

2.2.3.1 Introduction

Bids that meet all the Eligibility Requirements will be evaluated to determine compliance with threshold requirements, which have been designed to screen out proposals that are insufficiently mature from a project development perspective; lack technical viability; impose unacceptable financial accounting consequences for National Grid; are not in compliance with RFP requirements pertaining to credit support, or fail to satisfy minimum standards for bidder experience and ability to finance the proposed project. The threshold requirements for this RFP are set forth below.

⁶ The minimum project size as defined here is the maximum net output (alternating current) in MWh per hour. Note that this rating differs from renewable capacity as defined in the Long Term Contracting Standard and in the Regulations, which account for capacity factor in the determination of contract capacity.

2.2.3.2 Reasonable Project Schedule

National Grid is interested in projects that can demonstrate the ability to develop, permit, finance, and construct the proposed Eligible Facility within a reasonably proximate time. To that end, Eligible Bidders must provide a reasonable schedule that provides for *both* of the following:

- a. Closing of construction financing and commencement of construction on or by December 31, 2012; and
- b. Commercial Operation Date on or by December 31, 2015.

The Regulations specifically define the term credible operation date, which means that a project is more likely than not to come on line within ninety (90) days of that which is projected, as evidenced by documents filed by a bidder showing, at a minimum, the following:

- commencement of permitting processes
- a plan for completing all permitting processes
- viable resource assessment or fuel supply plans and agreements
- viable financing plans
- viable installation and electrical interconnect plans
- material progress toward acquisition of real property rights
- evidence of material vendor activity

Other considerations for establishing a credible operation date that are noted in the Regulations include:

- developer experience in completing similar projects by proposed dates
- track record and state of development of the particular technology being proposed
- assignment of an ISO-NE interconnection queue position
- developer's ability to secure financing necessary to complete the project by the proposed date

A proposal that does not have a reasonable schedule that provides sufficient time for the application for, and receipt of, necessary permits and approvals may be determined not to have satisfied this threshold requirement. In addition, a proposal that is determined to have a "fatal flaw" such that it will be unable to obtain permits or property rights necessary to finance and construct the proposed project may be determined not to have satisfied this threshold requirement.

2.2.3.3 Site Control

The bidder must demonstrate that it has control or a right to acquire control over a site for its proposed project. To meet this threshold requirement, bidders must either provide documentation showing that they own the site or have a lease or other property rights with respect to the site on which the proposed project will be located; have an option agreement to purchase or lease the site, or at a minimum have negotiated a letter of intent for control of the site. Bidders that only have a letter of intent for the site at the time of bid submission may be required to obtain a binding site control agreement at a later time prior to execution of a PPA (which may include an option to purchase or an

option to lease). Site control for offshore wind projects or projects on state lands will be evaluated based on the particular submissions of bidders and the extent to which they can demonstrate a high likelihood that they will be able to obtain the necessary rights to construct and operate the proposed project, including the real property rights associated with the interconnecting facilities from the proposed project to the transmission grid or local distribution facilities.

2.2.3.4 Technical Viability; Ability to Finance the Proposed Project

The bidder must demonstrate that the technology it proposes to use is technically viable and that the bidder has the ability to finance the proposed project. Technical viability may be demonstrated by showing that the technology is commercially available and has been used successfully. If a bidder plans to use technology that is not commercially proven, it must provide evidence of technical viability and a credible plan to finance the project in light of the state of development of the technology. All bidders must provide a reasonable plan for financing the proposed project, including the funding of development costs and the required development period security and the ability to acquire the required equipment in the time frame proposed.

2.2.3.5 Experience

The bidder must demonstrate that it has a sufficient amount of relevant experience to successfully develop, finance, construct and operate its proposed project. This demonstration can be made by showing that the bidder (or a substantial member of the bidder's development team) has:

- a. Successfully developed a similar type of project by a proposed commercial operation date;
OR
- b. Successfully developed one or more projects of different technologies but of similar size or complexity or requiring similar skill sets by a proposed commercial operation date; AND
- c. Experience in financing power generation projects.

2.2.3.6 Direct Economic Benefits to Rhode Island

The Long Term Contracting Standard requires that projects, regardless of their location, shall provide other direct economic benefits to the State of Rhode Island, such as job creation, increased property tax revenues, or other similar revenues. This threshold requirement can be satisfied by a showing of:

- a. Direct employment benefits associated with the proposed project;
- b. Indirect employment benefits associated with the proposed project;
- c. Increased property tax revenues or other similar revenues.

National Grid will be required to conduct an analysis of the respective economic benefits in relation to costs under the PPA.

2.2.3.7 Security Requirements

Bidders will be required to post Development Period Security and Operating Period Security. The required level of Development Period Security is a \$30 per kW Development Period Security Amount multiplied by (a) the proposed project's nameplate capacity (in kW) if the entire output of the proposed project is proposed to be sold under this RFP or (b) the percentage of the proposed project's output that is proposed to be sold under this RFP multiplied by the project's nameplate capacity.⁷ Fifty percent (50%) of the Development Period Security must be provided upon execution of the PPA. The remaining fifty percent (50%) of the Development Period Security must be provided upon RI PUC approval of the PPA. Any posted Development Period Security will be promptly returned if the RI PUC does not approve the PPA. Once a project achieves Commercial Operation, the amount of required security (Operating Period Security) will be the same as the required amount of Development Period Security.

The required security must be in the form of a cash deposit or a letter of credit.

2.2.3.8 Commercially Reasonable Standard

Under the Long Term Contracting Standard, National Grid is not obligated to enter into long term contracts for renewable energy resources on terms which National Grid believes to be commercially unreasonable. National Grid will consider both the pricing schedule and non-price terms and conditions in an initial assessment of whether a proposal is commercially reasonable, which is defined in Section 39-26.1-2(1) of the Long Term Contracting Standard as having "terms and pricing that are reasonably consistent with what an experienced power market analyst would expect to see in transactions involving new developed renewable energy resources."

2.2.3.9 Timeliness

The bid submitted must be timely submitted in accordance with Sections 3.1 and 3.8 of this RFP.

2.2.4 Other Minimum Requirements

Other RFP requirements pertain to bid certification, allowable pricing and bid completeness, as described in this section.

2.2.4.1 Proposal Certification

Bidders are required to provide firm pricing for 120 days from the date of bid submission. The bidder must also sign the certification form in Appendix B verifying that the prices, terms and conditions of the proposal are valid for at least 120 days. An officer or duly authorized representative of the bidder is required to sign the Proposal Certification Form.

⁷ For projects that have significant auxiliary loads, net generating capacity may be used in lieu of nameplate capacity. Note that this rating is not the same as renewable capacity as defined in the Long Term Contracting Standard, and in the Regulations, which account for capacity factor in the determination of contract capacity.

2.2.4.2 Allowable Forms of Pricing

National Grid will accept proposals from renewable resources for capacity, energy and renewable attributes that offer one or a combination of the following pricing options:

(1) a fixed bundled energy price (in \$/MWh), with separate pricing for capacity (\$/kW-month), energy(\$/MWh) and RECs (\$/REC) for the term of the contract;

(2) prices for bundled energy and for capacity, energy and RECs (in \$/MWh, \$/kW-month and \$/REC, respectively) that change by a fixed rate for the term of the contract (e.g. 2% increase per year); or by different fixed rates for various periods of the contract (e.g. 3% increase for the first 5 years, 2% for the next 5 years, etc.);

(3) an indexed price for bundled energy and for capacity, energy and RECs (in \$/MWh, \$/kW-month and/or \$/REC, respectively) based on a published, publicly available inflation-related index that reflects actual project costs for a portion of the costs of the project (e.g., operating and maintenance costs); provided, that the index must be used in a symmetrical manner (i.e., it must allow for both price increases and decreases depending on whether the pertinent index increases or decreases in value, and prices with a floor must also have a symmetrical ceiling).⁸

(4) provide pricing for RECs only (without capacity and energy). However, the bidder must provide all usage data from the prospective customer location to the extent net metering will be utilized. This is necessary in order to allow National Grid to evaluate the total economics of the proposal, from the perspective of all distribution customers who would be required to make up the lost delivery revenue resulting from net metering. In those cases where energy is not being delivered to the distribution system, the bidder must specify how RECs will be delivered into the NEPOOL GIS System.

These forms of pricing are conforming under this RFP. National Grid may consider other forms of pricing as an alternative as long as the bidder submits a proposal for the project with conforming pricing. Alternative (non-conforming) pricing may be considered subject to the following conditions:

- Any pricing formula must be symmetrical—in other words, if an index is to be utilized, prices must be allowed to increase or decrease in a symmetrical manner relative to a base price;
- There must be a price cap for each year under the proposed contract.

National Grid is under no obligation to accept any form of alternative (non-conforming) pricing.

The Delivery Point for electric energy must be (a) at an ISO-NE Pool Transmission Facility node or (b) a point on the local distribution system for smaller projects.

⁸ Installed capacity must qualify under ISO-NE rules and the Bidder's proposal conforms with the ISO-NE market rules for its Forward Capacity Market and must not require National Grid to be the Lead Market Participant for the bidder's generating unit.

With respect to any pricing proposal, payments will only be made for Products delivered.

2.2.4.3 Bid Completeness: Bidder Response Forms

Bidders must use the forms provided in Appendix B and provide complete responses. Appendix B contains the Bidder Response Forms which outline the information required from each bidder. Bidders are required to provide the information requested in each section of the Bidder Response Forms. If any of the information requested is inconsistent with the type of technology or product proposed, the Bidder should include "N/A" and describe the basis for this designation. If a bidder does not have the information requested in the bid forms and cannot obtain access to that information prior to the bid submittal due date, the bidder should provide an appropriate explanation.

2.3 Second Stage Evaluation – Price and Non-Price Analysis

Proposals that meet the requirements of the first stage review will then be subject to an initial price and non-price analysis. The results of the price and non-price analysis will be a relative ranking and scoring of all proposals. National Grid plans to weight price factors at eighty percent (80%) and non-price factors at twenty percent (20%) for purposes of conducting the initial evaluation.

2.3.1 Initial Evaluation Using Price-Related Evaluation Criteria

The price evaluation will be based on a comparison of (a) the total cost of the products bid, which must include capacity, energy, and/or RECs, to (b) the estimated market value of these products, taking into consideration the production profile and location of the proposed project over the term of the proposed bid (10-15 years) and any locational marginal price benefits. National Grid plans to use a price forecast that will incorporate the effects of future federal regulation of carbon dioxide emissions on relevant energy prices. The metric used will be net \$/MWh cost or benefit. Each bidder will be responsible for all costs associated with interconnecting its project to the transmission grid or, if applicable, local distribution facilities. Each bidder will identify in its bids its proposed point of delivery.

As part of the price evaluation, National Grid will assess the relative above-market or below-market costs during the beginning, middle and end years of the proposed contract bid in order to assess the relative front-loading or back-loading of the proposed bid. Other things being equal, bids that have front-loaded above-market costs will not be evaluated as favorably as other bids.

Proposals will be ranked from highest to lowest net benefit (or lowest to highest net cost) on a dollars per MWh basis based on the result derived through the application of the methodology described above (including consideration for front-loading/back-loading).

2.3.2 Initial Non-Price Evaluation

The non-price evaluation will consist of five overall categories: (1) siting and permitting; (2) project development status and operational viability; (3) experience and capabilities of bidder and the project

development team; (4) assignment of an ISO-NE queue position, if required; and (5) financing. Within each category are a number of related criteria that will be considered in the evaluation. This section of the RFP will identify and describe in more detail the individual criteria within each primary category. The relative importance of each of the criteria in terms of the scoring of the bids will be developed prior to receipt of bids and will be utilized during the bid evaluation process.

2.3.2.1 Purpose of Non-Price Evaluation Criteria

The non-price evaluation criteria other than contract exceptions are designed to assess the likelihood of a project coming to fruition based on various factors critical to successful project development. The objectives of the criteria are to provide an indication of the feasibility and viability of each project and the likelihood of meeting the proposed commercial operation date. Proposals are preferred that can demonstrate, based on the current status of project development and past experience, that the project will likely be successfully developed and operated as proposed.

2.3.2.2 Factors to be Assessed in Non-Price Evaluation

Within each of the five non-price evaluation factors, a variety of project and proposal-related factors will be assessed. They are summarized as follows:

- Siting and permitting
 - Extent to which site control has been achieved, including acquisition of necessary easements or rights-of-way
 - Identification of required permits and approvals
 - Status of efforts and credibility of plan to obtain permits and approvals
 - Community relations plan
- Project development status and operational viability
 - Completeness and credibility of detailed critical path schedule; ability to meet scheduled construction start date and commercial operation date
 - Credibility of fuel supply plans or energy resource assessments
 - Reliability and state of development of proposed technology
 - Commercial access to proposed technology
 - Progress in interconnection process
- Experience and capabilities of bidder and project development team
 - Project development
 - Project financing
 - Operations and maintenance
 - Experience in the ISO-NE market
- Assignment of an ISO-NE queue position, if required
 - Status of interconnection and system impact studies
 - Likelihood that interconnection process will be completed in accordance with schedule for project development
- Financing
 - Credibility of financing plan
 - Financial strength of bidder

2.4 Third Stage Evaluation; Selection of the Initial Short List

Following the total price and non-price rankings conducted in the second evaluation stage, a further review⁹ of the bids will be conducted and a short list selected. In this third stage of the evaluation (and in selecting the short list), National Grid will consider and weight at its discretion the following factors:

- Ranking in the second stage evaluation;
- Commercial reasonableness of the bids;
- Risk associated with project viability of the bids;
- The extent to which additional employment or other economic benefits would be created within Rhode Island;
- Portfolio effect: the value of diversity of resources—by size and type of resources.

National Grid believes that a third stage evaluation process that uses the second stage evaluation as a guide and provides for a reasonable degree of considered judgment based on criteria specified in this RFP will provide greater assurance that the RFP will lead to successful results.

The objective of the third stage of evaluation is to select the proposal(s) which provide the greatest value consistent with the stated objectives and requirements as set forth in the RFP. Generally, National Grid prefers viable projects that provide low cost renewable energy with limited risk and some degree of resource diversity. However, it is recognized that any particular project may not be ranked highly with respect to all of these considerations and the extent to which the stated RFP objectives will be satisfied will depend, in large part, on the particulars of the proposals that are submitted.

2.5 Contract Negotiation Process

Bidders selected for negotiations by National Grid will be required to indicate in writing whether they intend to proceed with their proposals within five business days of being notified. As basis for negotiation, bidders will be provided with a PPA appropriate for the particular project.

2.6 Regulatory Approval

Once National Grid has executed a PPA as a result of this RFP process, the proposed PPA will be submitted to the RI PUC for review and approval within thirty (30) days of execution. The RI PUC shall hold public hearings to review the PPA within forty-five (45) days of the filing and issue a written order approving or rejecting the PPA within sixty (60) days. The RI PUC will approve the PPA if it determines that

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⁹ In connection with this review, and in evaluation of the pricing, a bidder may be asked to provide pro forma income and cash flow statements for the term of the proposed PPA (including revenue and cost data by major categories, debt service, depreciation expense and other relevant information).

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- (1) the PPA is commercially reasonable;
- (2) the requirements for the annual solicitation have been met; and
- (3) the proposed PPA is consistent with the purposes of the Long Term Contracting Standard and the Regulations.

All PPAs shall contain provisions which allow National Grid to terminate the PPA, without penalty, after three (3) years of execution should National Grid or the RI PUC determine that material progress on the project is not being made, as determined by evaluating the success in meeting PPA milestones.

National Grid is not obligated to execute any PPA on terms which it reasonably believes to be commercially unreasonable. If there is a dispute about whether these terms are commercially unreasonable, the RI PUC shall make the final determination after an evidentiary hearing.

No PPA will be effective unless and until it is approved by the RI PUC.

III. Instructions to Bidders

3.1 Schedule for the Bidding Process

The proposed schedule for the bidding process is set forth in Chart 1. National Grid reserves the right to revise the schedule as necessary. Any changes to the schedule will be posted on the website for this RFP.

Chart 1

RFP Schedule

Event	Anticipated Dates
Issue RFP	
Bidders Conference	14 days from issuance of RFP
Submit Notice of Intent to Bid	17 days from issuance of RFP
Deadline for Submission of Questions	17 days from issuance of RFP
Due Date for Submission of Proposals	35 days from Issuance of RFP
Review of Bids with Division	5 days from bid submission
Selection of Short-Listed Bidders	75 days from bid submission
Negotiate and Execute Contracts	120 days from bid submission
Submit Contracts for RI PUC Approval	150 days after bid submission

3.2 Bidders Conference; Bidder Questions; Notice of Intent to Bid

A Bidders Conference will be held for interested persons approximately two (2) weeks after the final RFP document is posted on the RFP website. The purpose of the Bidders Conference is to provide the opportunity to clarify any aspects of the RFP. Prospective bidders may submit questions about the RFP prior to the Bidders Conference. National Grid will attempt to answer questions submitted prior to and during the Bidders Conference. Although National Grid may respond orally to questions posed at the Bidders Conference, only written answers that are provided in response to written questions will be official responses.

National Grid will also accept written questions pertaining to the RFP following the Bidders Conference up to the date provided in Chart 1. Both the questions and the written responses will be posted on the National Grid website (without identifying the person that asked the question).

Prospective bidders are also encouraged to submit a Notice of Intent to Bid form within seventeen (17) days of issuance of the RFP. The Notice of Intent to Bid form is attached as Appendix A to the RFP. National Grid will provide any necessary updates by email regarding the RFP to prospective bidders who submit a Notice of Intent to Bid. Persons that submit a Notice of Intent to Bid are not obligated to submit a proposal.

3.3 Preparation of Proposals

Each bidder shall have sole responsibility for carefully reviewing the RFP and all attachments and for thoroughly investigating and informing itself with respect to all matters pertinent to this RFP and its proposal, including pertinent ISO-NE tariffs and documents. Bidders should rely only on information provided in the RFP and any associated written updates when preparing their proposal. Each bidder shall be solely responsible for and shall bear all of its costs incurred in the preparation of its proposal and/or its participation in this RFP.

3.4 Submission of Proposals; Confidentiality

Bidders must submit one (1) original and one (1) bound copy of their proposal as well as two (2) CDs with the entire contents of the proposal to the Official Contact that is intended to be the recipient of a proposal. Bids must be submitted by 5:00 p.m. eastern prevailing time on the due date for proposals set forth in Section 3.1. Fax or email submissions will not be accepted. National Grid reserves the right to reject any proposals received after the deadline.

Each proposal shall contain the full name and business address of the bidder and bidder's contact person and shall be signed by an authorized officer of the bidder. Bidders may sign the original proposal and include copies of the signature page with the remaining proposal.

Bidders must clearly identify all confidential information in their Proposals. However, bidders should take care to designate as confidential only those portions of their Proposals that genuinely warrant confidential treatment. The practice of marking each and every page of a Proposal as "confidential" is discouraged.

National Grid agrees to use commercially reasonable efforts to treat the non-public information it receives from bidders in a confidential manner and will not, except as required by law or in a

regulatory proceeding, disclose such information to any third party or use such information for any purpose other than in connection with this RFP; provided, that, in any regulatory, administrative or jurisdictional proceeding in which confidential information is sought, National Grid shall take reasonable steps to limit disclosure and use of said confidential information through the use of non-disclosure agreements or orders seeking protective treatment, and shall inform the bidders if confidential information is being sought. Notwithstanding the foregoing, in any regulatory proceeding in which such confidential information is sought and a request for confidential treatment is made to the RI PUC, National Grid shall not be responsible in the event that it is determined that the request for treating information in a confidential manner is not warranted. The bidders shall be required to use commercially reasonable efforts to treat all information received from National Grid in a confidential manner and will not, except as required by law or in a regulatory proceeding, disclose such information to any third party.

3.5 Official Contact for the RFP; Other Contact Persons

All copies of the proposal should be sent to the attention of the Official Contact for National Grid for which a proposal is being made at the address listed below:

Madison Milhous
Director, Wholesale Market Relations
Energy Portfolio Management
National Grid
100 East Old Country Road
Hicksville, NY 11801
(516) 545 2309

Any questions regarding the RFP should be sent to the Official Contact at following email address: madison.milhous@us.ngrid.com. The following persons should be sent copies by email of such comments or questions:

Christopher Meyer
Email address: christopher.meyer@us.ngrid.com

Joseph Gredder
Email address: joseph.gredder@us.ngrid.com

3.6 Organization of the Proposal

Bidders are required to organize their proposal consistent with the contents of the Response Package in Appendix B. The organization and contents of the proposal should be organized as follows:

1. Proposal Certification Form
2. Proposal Summary/Contact Information
3. Executive Summary
4. Pricing Information and Schedules
5. Project Operational Parameters
6. Energy Resource Plan
7. Financial/Legal

8. Siting and Interconnection
9. Environmental Assessment and Permit Acquisition Plan
10. Engineering and Technology
11. Operations and Maintenance
12. Project Schedule
13. Project Management/Experience
14. Alternatives
15. Direct Economic Benefits to Rhode Island

3.7 Modification or Cancellation of the RFP and Solicitation Process

Following the submission of bids, National Grid may request additional information from Bidders at any time during the process. Bidders that are not responsive to such information requests may be eliminated from further consideration. Unless otherwise prohibited, National Grid may, at any time up to final award, postpone, withdraw and/or cancel this RFP; alter, extend or cancel any due date; and/or, alter, amend, withdraw and/or cancel any requirement, term or condition of this RFP, any and all of which shall be without any liability to National Grid.

By submitting a bid, a bidder agrees that the sole recourse that it may have with respect to the conduct of this RFP is by submission of a complaint or similar filing to the RI PUC in a relevant docket pertaining to this RFP.