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**TO:** NAESB Retail Markets Quadrant (RMQ) and Wholesale Electric Quadrant (WEQ) Business Practices Subcommittee (BPS) Participants and Interested Parties,

**FROM:** Caroline Trum, Director, Wholesale Electric Quadrant

**RE:** Draft Minutes from Joint RMQ BPS and WEQ BPS Conference Call – February 7, 2024

**DATE:** February 12, 2024

**NORTH AMERICAN ENERGY STANDARDS BOARD**

**Joint RMQ/WEQ Business Practices Subcommittee**

**Conference Call with Webcasting**

**February 7, 2024 – 10:00 AM to 11:30 AM Central**

**DRAFT MINUTES**

1. **Welcome**

Mr. Phillips welcomed the participants to the meeting. Ms. Trum provided the Antitrust and Other Meeting Policies reminder. Mr. Phillips reviewed the agenda. The agenda was adopted on a motion by Mr. Watson, seconded by Mr. Burks.

1. **Review Standards Request R24001 and the U.S. DoE Standard Distribution Services Contract White Paper**

Mr. Phillips stated that in January, the U.S. Department of Energy (DoE), jointly with ICF Consulting, submitted [Standards Request R24001](https://naesb.org/pdf4/R24001.docx) proposing NAESB develop a standardized contract for acquiring distribution services from DER aggregations as well as an accompanying [Standard Distribution Services Contract White Paper](https://naesb.org/pdf4/R24001_Attachment.docx). He stated that to kick-off the effort, the requesters would be providing a [presentation](https://naesb.org/pdf4/weq_rmq_bps020724w1.pptx) to outline some of the U.S. DoE activities that led to the request being submitted to NAESB and the potential benefits of a model contract.

Mr. De Martini explained that as part of the Distribution Grid Transformation Program, the U.S. DoE is working with the electric industry to identify challenges and proactively address grid transformation issues and has identified three broad areas of action needed to support a Distribution Grid Code: regulatory or institutional changes, standardized business practices or processes, and technical standards. The Distribution Grid Code refers to the collection of institutional and business processes and technical standards needed to safely and effectively integrate and utilize distributed energy resources (DERs) and aggregations within the electric distribution system. Mr. De Martini stated that this includes the need for integrated distribution system planning, distribution system design, and operational coordination. He stated that the standards request was submitted in support of operational coordination goals and the standardized processes that are needed to support widespread integration of DERs. Mr. De Martini explained that a more standardized approach can lead to more effective utilization of DERs and enhance the ability of the distribution and wholesale markets to coordinate. He noted that in developing the standardized contract, the subcommittees may find as helpful references the NAESB Grid Services Business Practice Standards and the white papers the U.S. DoE has made available in support of [operational coordination efforts](https://www.energy.gov/oe/operational-coordination).

Mr. Patel stated that the U.S. DoE has recognized the need for widespread use of Virtual Power Plants (VPPs), comprised of DER aggregations, to meet federal clean energy and emission goals. He noted that increasing the scalability of DER aggregations is key to supporting the use of VPPs but that the lack of uniformity in contracting practices between states and even between distribution utilities adds unnecessary complexities for aggregators. Mr. Patel explained that currently, standard service contracts or codes of conduct that specify discrete services and related performance expectations from DER aggregators, including requirements for asset visibility, operational coordination, performance evaluation, and customer engagement, do not exist. He stated that the U.S. DoE has identified the need for more uniformity in contracting practices and identified three objectives that can be supported by a standardized contract between DER aggregators and distribution operators: (1) more consistent and transparent processes for the use of DERs and aggregations to meet the needs of distribution utilities; (2) clarity regarding the roles and responsibilities of parties prior to, during, and after the contracting process; and (3) enhance the ability of DER aggregations to more seamlessly participate in both distribution markets and wholesale markets under FERC Order No. 2222 participation models.

Mr. Patel explained that the basic contracting framework principles outlined in the DoE Standard Distribution Services Contract White Paper were created leveraging existing interconnection processes and FERC Order No. 2222 implementation plans as well as feedback from industry participants, including DER aggregators, distribution utilities, and regulators. He stated that in identifying the contractual elements included in the white paper, the goal was to provide a blue print that could be used to provide sufficient consistency on key contracting aspects and allow for adaptation to address unique circumstances.

1. **Discuss Development of a Model Contract**

Mr. Phillips asked if there were any comments or questions on the development of a model contract.

Ms. Powers asked how a standardized contract for distribution services can help facilitate FERC Order No. 2222 or support coordination between the distribution and transmission systems. Mr. De Martini responded that the standardized contract is intended to meet both current and future needs in the procurement of distribution services by utilities from DER aggregations. He explained that includes consideration of existing and new categories of distribution grid services as well as how a standardized contract could facilitate information exchanges between DER aggregators and distribution utilities to provide data that could be needed to support coordination between transmission and distribution operators.

Ms. Lee noted that cybersecurity was not one of the contracting elements identified in Distribution Services Contract Structure but will be important to address. Mr. De Martini noted that DER-related cybersecurity best practices and standards are still evolving and explained that cybersecurity is included in the framework under the related processes, forms and agreements that support the contracting process. He stated cybersecurity, like the other elements identified as part of the related processes, forms, and agreements, will be an important part of the overall contracting process. Mr. De Martini suggested the subcommittees consider what level, if any, these elements should be addressed directly by the contract, such as inclusion in terms and conditions or the potential development of accompanying appendices or attachments.

Mr. Klauer explained that as categories of distribution services continue to develop and become more commonly used, there will be a growing need for visibility into the distribution systems by bulk electric operators to maintain situational awareness and coordination between market participants. He stated that standards will be important to help ensure the needed information is provided and consistency in the frequency and timing of data exchanges. Mr. De Martini responded that subcommittees should consider, as part of the model contract development, what types of data may be needed, both now and in the future, to support situational awareness and how the contract could be used as a mechanism to help facilitate information gathering and exchanges. He noted that additional DoE white papers are being developed to further address market and operational coordination issues which may be helpful to consider, such as reconciling differences in telemetry requirements and the need for the creation of state or regional DER registries that share a common platform.

Mr. Armstrong asked for clarity regarding how the standardized contract can support coordination between distribution and transmission system operators. Mr. De Martini stated that the model contract will facilitate transactions between distribution utilities and third party, independent DER aggregators or independent owners providing distribution services. He explained that by identifying the data that may need to be exchanged between distribution and transmission system operators, then the subcommittees flag the categories of data related to DER aggregations and consider the inclusion of terms and conditions that could obligate DER aggregators to provide such information to distribution utilities.

Ms. Key asked for if there is an overlap between state and FERC jurisdiction for any of the services, noting that the white paper mentions energy as a distribution service. Mr. De Martini stated that while similar grid services exist between the wholesale and distribution systems, such as voltage and reactive power, the standardized contract is intended to address only services procured to meet distribution system needs. He stated that the development of a model contract for distribution services from DER aggregations is an opportunity to consider if or how terms and conditions can support coordination requirements for ISOs/RTOs in FERC Order No. 2222 and help ensure that a DER aggregator, when providing both distribution and wholesale services, is taking appropriate direction from system operators, per any applicable state regulatory and legislative requirements and FERC Order No. 2222 provisions. He suggested the subcommittees may also want to consider how the standardized contract can help prevent a DER aggregation from providing conflicting or mutually exclusive services and how a DER aggregation can participate in the wholesale market if not being utilized by the distribution utility.

Mr. Klauer stated that while not negating the need for a standard distribution services contract, a potential roadblock in creating terms and conditions supportive of FERC Order No. 2222 provisions is that not every ISO/RTO has implemented its participation model, and those that have may not have many, if any, DER aggregations participating under the model. He suggested that there could be various reasons why DER aggregations are opting not to participate, such as low incentive to aggregate DERs given the limited number of distribution services they can provide and a lack of viable economic wholesale market participation use cases. Ms. Key agreed, stating that owners of individual DERs eligible to be aggregated may already be receiving high levels of compensation by participating in net metering programs. Mr. De Martini noted that the standard contract is intended to address not just the exporting or storage of distributed generation but also DER aggregations providing demand response services, including an aggregator managing electric vehicle charging.

Mr. Yoshimura stated beyond FERC Order No. 2222 coordination, a potential more immediate concern for ISOs/RTOs may be the coordination that will be needed to manage transmission system impacts from the proliferation of DERs and DER aggregations on the distribution system. He explained that operators will need real-time visibility into the distribution system in order to effectively anticipate demand and make adjustments to ensure the transmission system continues to reliably serve load. Mr. Yoshimura suggested there be a focus within the model contract on operational coordination elements that can help ensure transmission system operators are receiving the needed data in a timely manner. Mr. Armstrong agreed, stating that if there is a large growth in the use of DERs in the retail market, the current lack of visibility for transmission system operators into the distribution system could cause issues similar to those experienced during recent cold weather events. Mr. Yoshimura explained that wholesale operators have real-time view of net load only at points of interface between transmission and distribution systems but that real-time production data for DERs located behind-the-meter will allow operators to better anticipate issues.

Mr. De Martini stated that the standardized contract will not be able to account for every differentiation between jurisdictions and utility practices. He explained that a fundamental issue will be the determination of the detail and specificity that can be included in the terms and conditions to provide a useful level of standardization and uniformity, recognizing that there can be wide variations in state jurisdictional requirements and ISO/RTO market participation frameworks. He stated that the need for the balance between consistency and flexibility is one of the reasons NAESB was asked to develop the model contract, explaining that review of other NAESB Model Contracts demonstrated an ability to create a standardized framework that also provided latitude to adapt to meet unique circumstances.

1. **Identify Next Steps and Action Items**

Mr. Phillips asked for the next meeting, interested parties provide contract examples so participants can evaluate and compare existing terms and conditions being used by the industry and begin to discuss how these may fit into a standardized contract. Mr. Sappenfield stated that this approach can help identify where existing terms and conditions can be leveraged and is consistent with how wholesale gas participants have tackled development of past model contracts.

Mr. Phillips stated, to help frame coordination considerations, it would be beneficial if ISOs/RTOs and other wholesale market participants could provide information on aggregations within their footprint participating at both the wholesale and retail level as well as identify distribution system visibility needs and what type of data could be useful.

1. **Discuss Future Meetings**

Mr. Phillips stated that the next two meetings of the WEQ/RMQ BPS to address Standards Request R24001 will be held on March 12, 2024 from 1:00 – 4:00 PM Central and April 30, 2024 from 1:00 – 4:00 PM Central. He stated the agenda for the March meeting will include the request for contract examples, white papers, and other documentation to support discussions on the development of a model contract.

Ms. Trum stated that she would work with the WEQ/RMQ BPS co-chairs to have the agenda sent out by early next week.

1. **Adjourn**

The meeting adjourned at 11:35 AM Central on a motion by Mr. Watson.

1. **Attendance**

| **First Name** | **Last Name** | **Organization** |
| --- | --- | --- |
| Jack  | Armstrong | Duke Energy |
| Ethan | Avallone | NYISO |
| Janice | Bacon | PacifiCorp |
| John | Baudanza | National Grid |
| Rebecca | Berdahl | BPA |
| Tanner | Brier | BPA |
| Derek | Brown | Evergy |
| Cade | Burks | Big Data Energy |
| Thomas | Chamberlain | Entergy |
| Paul | De Martini | Newport Consulting |
| Pedrom | Farsi | APS |
| Shawn | Grant | CAISO |
| Adrian | Harris | MISO |
| Rachel | Hogge | Eastern Gas Transmission & Storage, Inc. |
| Ali | Ipakchi | OATI |
| Andrew | Ingram | Southern Company |
| Jeremy | Jones | Entergy |
| Bryan | Kelly | PCI Energy Solutions |
| Jennifer | Key | Steptoe |
| Peter | Klauer | CAISO |
| Darren | Lamb | CAISO |
| Annabelle | Lee | Nevermore Security |
| Michael | Matto | MISO |
| Katrina | McEvoy | APS |
| Darrell | Miller | Latitude Technologies, an ESG Company |
| Ali | Miremadi | CAISO |
| Chris | Norton | American Municipal Power |
| Joseph | Paladino | U.S. Department of Energy |
| Saumil | Patel | ICF Consulting |
| John | Pearson | ISO-New England |
| Todd | Pence | SPP |
| Jill  | Powers | CAISO |
| Farrokh | Rahimi | OATI |
| Keith | Sappenfield | Cheniere Energy |
| Karen | Stampfli | TVA |
| Scott | Stewart | BPA |
| Lisa | Sieg | LG&E and KU Services Company |
| Caroline | Trum | NAESB |
| Sam | Watson | North Carolina Utilities Commission |
| Bobbi | Welch | MISO |
| Henry | Yoshimura | ISO-New England |