

Central Hudson Gas & Electric (“Central Hudson”) Energy Storage DRAFT Request For Proposal (RFP)

Industry Feedback

(Questions and Responses categorized and numbered by topic)

Energy Market

General Information – Section 1.2

1. Q. What latitude is there if the NYISO Class Year process does not yield approval (Capacity Resource Interconnection Service (CRIS) rights) in sufficient time (due to constraints outside the control of the Bidder) to complete the Guaranteed Date for Commissioning?

Central Hudson Response: *There is no latitude for the December 31, 2022 in-service (Commercial Operation) date. Central Hudson would support a developer’s petition to the New York State Public Service Commission (NYSPSC) to extend this NYSPSC in-service deadline in the event of project specific issues related to the NYISO’s Class Year interconnection process that would delay the project’s Commercial Operation Date (COD) beyond the current NYSPSC in-service deadline.*

Eligibility and Requirements – Section 2.1

2. Can Central Hudson make a more definitive Term for the Agreement – say seven (7) years, rather than up to seven years? “Up to” can include anything from one year (maybe even less) to seven years. That is a significant bandwidth of time.

Central Hudson Response: *No. The NYSPSC 12/13/2018 Energy Storage Order (Case 18-E-0130; p54) requires utilities to procure dispatch rights for bulk level energy storage systems for up to seven (7) years. It is the Bidder’s option to select the term, with the maximum set at seven years.*

Eligibility and Requirements – Section 2.2

3. Central Hudson states that those Projects with site control will receive priority in the evaluation process. Can the RFP clarify that those projects that do not have full site control will not be rejected outright for lack of site control?

Central Hudson Response: *As indicated in the draft RFP, “bidders who demonstrate site ownership or site control for all the proposed Projects to be electrically connected within Central Hudson’s service territory will receive priority in the bid evaluation process”. Central Hudson did not state in the draft RFP documents that projects not having full site control will be rejected. Therefore, projects that do not have full site control will not automatically be rejected but may receive a lower ranking in comparison to other projects that do have full site control.*

Eligibility and Requirements – Section 2.4:

4. Can Central Hudson remove the 65% minimum efficiency threshold as a ‘hard’ qualification criterion and instead opt to include RTE (Round Trip Efficiency) as one of the many metrics to assess bidders?

Central Hudson Response: *RTE is one of several metrics that Central Hudson will use to evaluate bidders' offers submitted for this RFP solicitation. In order to receive NYSERDA Market Acceleration Incentive (MAI) fund, NYSERDA requires that all energy storage systems must be designed to maintain a minimum 70% RTE in the latest NYSERDA Bulk Energy Storage Incentive Program Manual dated April 2019. Because NYSERDA has not indicated any plans to lower this minimum RTE level, Central Hudson will be changing its minimum RTE level from 65% to 70% in the final RFP documents (section 2.5.1).*

Eligibility and Requirements – Section 2.5.1:

5. This section indicated capability for 400 cycles per year but then says max, 3200MWh throughput per MW per year. This throughput number correlates to 1600 cycles per the definition of Throughput. Please clarify this apparent discrepancy since 1600 cycles is 4x 400 cycles.

Central Hudson Response: *In this RFP, Throughput is defined as "The total electrical energy injected into and withdrawn from the energy storage resource over a specified period." In the draft RFP Section 2.5.1, "Maximum" annual throughput estimates are shown for an assumed year with 400 full depth of discharge cycles (e.g., 400 cycles x 4 hours {charge} + 400 cycles x 4 hours {discharge} = 3,200 MWh) per MW per year of Dispatch-able Capacity.*

Offer Evaluation Criteria – Section 3.2:

6. Bidder Concentration is listed as Qualitative Factor. Given the smaller magnitude of the RFP, will a 10 MW project be viewed less favorably than 2 – 5MW projects even if the economics are more favorable?

Central Hudson Response: *As indicated in the draft RFP section 2.3, bidders' proposed Projects must be greater than 5 MW of Dispatchable Capacity (measured in alternating current at the point of interconnection with Central Hudson) at each location (i.e., not the result of aggregated smaller projects at different sites/locations), interconnected electrically within Central Hudson's service territory, and separately metered from any other load or generation at the site. Systems of exactly 5 MW or less, existing storage systems, and/or new systems eligible for Value Stack compensation are ineligible to participate in this RFP.*

A 10 MW energy storage project proposal will be given the same consideration as multiple 5.1 MW energy storage project proposals. However, if Central Hudson decides to award a Dispatch Rights Agreement to more than one energy storage project, Central Hudson may diversify its counterparty risk by not awarding all Dispatch Right Agreements to the same vendor.

7. Can Central Hudson provide a more detailed list of safety factors that will be evaluated in the Qualitative analysis?

Central Hudson Response: *Due to the combination of the broad range of technology (provided that the proposed energy storage systems meet Central Hudson RFP Eligibility and Requirements), possible site locations, and interconnection voltage levels, Central Hudson expects any proposed energy storage systems will be designed, installed, and maintained to avoid jeopardizing the safety of the public or the personnel working near or at the energy*

storage system site (i.e., runaway fires, mechanical failures, etc.) and to reduce the likelihood of any environmental harm (i.e., fluid leaks/spills, etc.). Central Hudson expects the energy storage system must be certified to meet minimum safety requirements by a Nationally Recognized Testing Laboratory (e.g. UL) and design criteria set forth in Nationally recognized Standards Organizations (e.g. ANSI, IEEE, NFPA, etc.) and New York State codes.

8. Would Central Hudson remove RTE (Round Trip Efficiency) as a technical requirement of the offer and instead make RTE part of the offer evaluation criteria?

Central Hudson Response: *Please refer to the answer in Question 4 above.*

9. Will Central Hudson incorporate each resources' energy/capacity degradation into the quantitative evaluation criteria to ensure year-over-year value is accurately reflected?

Central Hudson Response: *It is the responsibility of the bidder to design, install, and maintain an energy storage system that will supply the bidder's stated minimum Guaranteed Dispatch-able Capacity over at least a continuous 4-hour discharge period through the 7-year Central Hudson Dispatch Rights Agreement period.*

10. Will Central Hudson be adjusting the capacity value to reflect the upcoming [NYISO] ICAP de-rate for those resources that cannot meet the requirement?

Central Hudson Response: *As part of Central Hudson Quantitative evaluation of bidders' Offers, Central Hudson plans to account for NYISO proposed Energy Storage System (ESS) Duration Adjustment Factor in determining the ESS Capacity Value component of the projected revenues that may be received from the NYISO Capacity market. In order to sell an ESS Unforced Capacity (UCAP) into NYISO's Capacity market, Central Hudson expects that the ESS will acquire NYISO CRIS (Capacity Resource Interconnection Service) Rights for the bidder's stated minimum Guaranteed Dispatch-able Capacity (in MW) prior to the Commercial Operation Date if awarded a Central Hudson Dispatch Rights Agreement, regardless of whether the ESS passes or fails the NYISO Buyer Side Mitigation (BSM) test for an ESS installed in the mitigated NYISO "G-J" capacity locality.*

11. Will Central Hudson be using an 'Other Grid Services' category in the qualitative evaluation criteria to allow for the value of those attributes?

Central Hudson Response: *Central Hudson plans to evaluate the RTE, the Energy value, and the Capacity value criteria under the Quantitative Factors category as indicated in the Central Hudson draft RFP, not in the Qualitative Factors category, because revenues that an ESS may provide can be quantified over the 7-year Central Hudson Dispatch Rights Agreement period.*

Offer Submittal Process – Section 4.4

12. Will Central Hudson consider a lower offer fee than the \$20,000 as stated in its' draft RFP?

Central Hudson Response: *Central Hudson will consider a change to the offer fee.*

Appendix D1 – Central Hudson ESS Agreement:

13. How will Central Hudson evaluate / consider NYSERDA Incentive funding?

Central Hudson Response: *Developers are being asked to provide a single offer per location for up to seven (7) years of Dispatch Rights to Central Hudson. Any developer who is awarded a Central Hudson Dispatch Rights Agreement will also be required to sign a NYSEDA Market Acceleration Bridge Incentive (MABI) Agreement. The consideration of Central Hudson and NYSEDA funding will be determined based on a Memorandum of Understanding (MOU) between Central Hudson and NYSEDA prior to any award.*

14. Please clarify the difference between “retail charging costs” and “project charging costs” and which costs need to be included in the bid price.

Central Hudson Response: *Central Hudson will retain responsibility for all wholesale market commodity costs and revenues related to the charging and discharging of the Energy Storage device, including RTE. The delivery costs associated with charging and discharging the energy storage device (based on the greater absolute value of charging or discharging volume in a defined billing period) located on Central Hudson’s distribution system will be billed to the developer at established rates. Any and all station service support load (device operation, cooling, yard lighting, control house power, etc.) will be separately metered from the wholesale energy and ancillary services of the Energy Storage device and these station service support loads will be billed to the developer based on utility supply and delivery rates. Both the costs associated with using the distribution system to charge and discharge the energy storage device (based on the greater absolute value of charging or discharging volume in a defined billing period) and for station service loads are anticipated to be included in the developer’s offer.*

15. In Central Hudson’s draft ESA, 6.6(c) indicates that Central Hudson will be responsible for “Supply Charging Energy Costs during the Contract Term, other than costs arising out of pertaining to a non- Central Hudson dispatch or a non- Central Hudson Charge.” However, the same clause indicates that the owner is responsible for Distribution Charging Energy Costs, despite the fact that Central Hudson will be controlling the ESS during Central Hudson dispatch and Central Hudson charge. Please explain the split in responsibility for cost accountability between energy and distribution charges relating to utility charge/discharge events.

Central Hudson Response: *Central Hudson will re-word the third bullet item in ESA 6.6(c) Owner to read: ‘Delivery Costs associated with Charging Energy’. Also see the answer to question 14 for further explanation.*

Engineering Design / Technical

Offer Evaluation Criteria – Section 3.2:

1. Will Central Hudson require Energy Storage system(s) in their territory to provide synchronous inertia, voltage support, and short-circuit current as qualitative evaluation criteria?

Central Hudson Response: *While each of these attributes are essential to maintaining a stable power system, Central Hudson is seeking a Dispatch-Rights Agreement based on revenues for services available in the current wholesale market environment. To the extent that the developer-proposed facility is capable of supplying these services and there is a corresponding wholesale market revenue for providing these services, Central Hudson's model will include projected revenues from these value streams. The developer will benefit from these revenue streams after conclusion of the Dispatch-Rights Agreement.*

Eligibility and Requirements – Section 2.5.2:

2. The draft RFP states that storage projects must have a single exclusive NYISO Interconnection Point. Will the final RFP exclude storage projects at existing generation interconnections with spare capacity?

Central Hudson Response: *Central Hudson will evaluate any energy storage project that satisfies all of the NYISO interconnection criteria required to provide wholesale market products and services.*

Eligibility and Requirements – Section 2.7:

3. Is there a comprehensive list of safety standards (i.e., NFPA, FM, IEEE, etc.) Central Hudson expects compliance with in the design of the energy storage system?

Central Hudson Response: *Please refer to Central Hudson's Interconnection Guidelines, Section 1 'General'.*

Appendix C3 – Technical Information:

4. Please clarify division of responsibility between Central Hudson and project owner for communications and SCADA?

Central Hudson Response: *The requirements are detailed in the Standardized Interconnection Requirements (SIR); the developer is responsible to provide, own, operate, and maintain all communications equipment and the communications channel at the site. The developer is also responsible for all Central Hudson costs associated with providing communications at Central Hudson.*

5. Will specific design and construction standards be provided?

Central Hudson Response: *Specific design and construction standards are the responsibility of the developer; please refer to the eligibility requirements.*

6. Are there any specific fire detection/suppressions requirements or will we be required to comply with a national standard such as NFPA 855, Standard for the Installation of Energy Storage Systems?

Central Hudson Response: *Design and construction standards are the responsibility of the developer. Fire detection and suppression systems will require approval by the authority having jurisdiction, as indicated in Appendix C4.*

7. Will fire detection system notifications need to go to both the interconnecting Transmission Owner as well as to the project owner in the event of an issue?

Central Hudson Response: *No. Central Hudson will want notifications indicating that the facility is on-line, off-line, or unavailable.*

8. It is clear in the draft RFP's that the Owner is responsible for interconnection costs. How will Central Hudson provide timely interconnection cost estimates and minimize, where possible, the risk to the project from overages?

Central Hudson Response: *Central Hudson will provide timely interconnection cost estimates according to the NYISO Interconnection Process or SIR. Those processes have project owner projections should the interconnection costs exceed estimates.*

9. After an owner has paid for interconnection costs, will Central Hudson retain the ability to terminate the ESSA without further obligation if there is an overage on interconnection costs?

Central Hudson Response: *In the event that System Upgrade Facility costs are determined to be higher than originally estimated (and paid) that will result in the project being uneconomic, Central Hudson will retain the right to return any paid interconnection costs and terminate the ESSA without further obligation.*

Risk Management, Business, and Financial Aspects

Eligibility and Requirements – Section 2.2

1. In the event of submitting a winning bid, may the winning bidder assign the project to a subsidiary, LLC, Special Purpose Vehicle, etc.?

Central Hudson Response: *Generally yes, with the requirement that any assignment will require Central Hudson approval/sign-off and they meet credit requirements.*

2. With regard to requirement to submit three years of Audited Financial statement, can Central Hudson clarify whether it will consider the Audited Financial Statements of a parent company of the Bidder to meet this prerequisite?

Central Hudson Response: *Yes, Central Hudson will consider the use of audited financial statements of a parent company to the bidder to meet this requirement.*

Appendix D1 – Central Hudson ESS Agreement:

3. Will Central Hudson allow a cap for liquidated damages in line with market, such as 10% of the Contract Price?

Central Hudson Response: *Liquidated damages are a stipulated amount of damages that are a reasonable estimate of actual damages. Limitation of Liability clauses generally limit liability, or damages, to exclude consequential damages; lost profits and punitive damages are examples of consequential damages. Some parties ask to limit damages to a multiple of the value of the contract. Central Hudson generally discourages such requests because actual damages are often not related to the value of the contract. Central Hudson will consider, and is not obligated to accept, any limitation of liability proposal.*

4. Will Central Hudson allow a Parent Guarantee or Letter of Credit in lieu of cash to reduce overall Project costs (7.3.a.ii)?

Central Hudson Response: *A Letter of Credit is the preferred method of guarantee.*

5. Can a monetary cap of liquidated damages be required? (Article 11)

Central Hudson Response: *Please refer to the answer in question 3 above in this Section.*

6. Can the Availability Guarantee/Provision be eliminated as it seems as though the Financial Settlement for Products (Section 13.1(h)) covers this aspect?

Central Hudson Response: *No.*

7. Recommend consideration of parent guarantee in lieu of Letter of Credit as this will reduce cost. The processes and requirements for cash collateral are problematic.

Central Hudson Response: *As noted above, a letter of credit is preferred, but Central Hudson will consider a parental guarantee if the parent has an investment grade credit rating or its equivalent.*

Contract Terms & Conditions and Legal Aspects

Eligibility and Requirements – Section 2.2:

1. Our company is privately held and financial information is private and confidential. Is Central Hudson willing to enter into a Non-disclosure agreement prior to the disclosure of this confidential info?

Central Hudson Response: *Yes. A copy of Central Hudson's Non-Disclosure Agreement is posted as Appendix F.*

Eligibility and Requirements – Section 2.5.1:

2. Will Central Hudson allow full remote access of the energy storage system to allow for system monitoring for operations and health?

Central Hudson Response: *Yes. The developer will own the ESS and is responsible for all Operating and Maintenance throughout the life of the facility. Full remote access is allowed, if not expected, except that the remote access shall not interfere with Central Hudson's dispatch instructions.*

3. If Central Hudson will not allow full remote access of the energy storage system, how does it propose that system monitoring data for operations and health be provided to the Bidder?

Central Hudson Response: *Please refer to the answer to question 2 in this section.*

Offer Evaluation Criteria – Section 3.2:

4. Please define the capitalized term 'Guaranteed Commissioning Date' in the Services Agreement.

Central Hudson Response: *The term 'Guaranteed Commissioning Date' was not found in the Services Agreement document. The term 'Guaranteed Commercial Operation Deadline' is defined in Exhibit A of the Services Agreement and has the meaning as described in Section 2.6, which is December 31, 2022. It is the date by which the developer must guarantee compliance with the 12/13/2018 PSC Order.*

Offer Submittal Process – Section 4.3:

5. Central Hudson states that "Redlines to the Agreement submitted when formal Offers are due will not (be) accepted". Please clarify that Central Hudson is only deeming offers eligible if they accept Central Hudson's final form of Services Agreement to be issued September 30, 2019.

Central Hudson Response: *Central Hudson will give preference to those bidders that accept the Agreement without amendment. Central Hudson will consider redlines to the Agreement that are submitted and evaluate them as part of the bid. However, there is no guarantee that Central Hudson will accept bidders' redlines to the Agreement.*

Appendix C4 – Permitting & Schedule:

6. [W]ill Central Hudson be available to support this process such as attending pre-app and public hearings to voice support for the project?

Central Hudson Response: *Central Hudson will attend public meetings to provide facts about the Commission Order and Central Hudson Energy Storage RFP.*

Appendix D1 – CENTRAL HUDSON ESS Agreement:

7. Can Central Hudson add page numbers to the Services Agreement?

Central Hudson Response: *Yes, page numbers will be included with the posted version on 9/30.*

8. [The] level of information should be limited to information specifically pertaining to the performance obligations in the contract. The information required in some Sections appears to be more than what is typically expected for a fixed price agreement.

Central Hudson Response: *The level of information being requested is intended to allow CH, NYSERDA, and DPS to make a well informed decision regarding the proposed project offer.*

9. [The] notice [of] timelines and obligations need to be reasonable.

Central Hudson Response: *Central Hudson is asking prospective developers to identify timelines and obligations that will meet the Guaranteed Commercial Operation Deadline identified in the 12/13/2018 PSC Order.*

10. Can Force Majeure be listed as an exception for not meeting the Guaranteed Completion Deadline?

Central Hudson Response: *Central Hudson has an obligation to meet the PSC mandated Guaranteed Commercial Operation Deadline. Force Majeure cannot be an exception for meeting that deadline.*

11. [Requiring] two contracts (Central Hudson and NYSERDA) is problematic; can these be combined into one contract?

Central Hudson Response: *Central Hudson is not in a position to unilaterally change the contract construct developed among the state joint utilities (JU), NYSERDA, and DPS or to change NYSERDA's contract.*

12. Owners accept tax risk and it is appropriate [they] should receive any tax benefit. (3.6.b.i)

Central Hudson Response: *The overarching goal, which includes Section 3.6(b)(i), is to minimize customer bill pressure associated with providing a low-risk environment while supporting the Clean Energy Standard Energy Storage Order.*

13. Network upgrades are unknown, are largely under the control of the utility, can be best evaluated by the utility, and should be paid for by the utility. (5.1.b)

Central Hudson Response: *Central Hudson will make every effort to uphold its' responsibilities and support the interconnection process, which includes accuracy in system upgrade facility estimates and timeliness of completing any necessary upgrades required to support the Energy Storage project.*

14. In event of a fire caused by the selected technology, this event should be treated as Force Majeure. (8.3.a and 8.3.b)

Central Hudson Response: *The intent of Section 8.3(a) & (b) is to proactively address safety concerns, including fire precautions, which are unplanned outages. A fire at this specific Energy Storage facility would be a Force Majeure if the cause of the fire was beyond the control of the Owner. Negligence, or willful misconduct are not Force Majeure events.*

15. Utility obligations with respect to the day ahead and real time NYISO markets not cured within 30 days could limit Owner availability and force an event of default. (10.1.a.iii)

Central Hudson Response: *The Dispatch Rights Agreement isolates the developer from wholesale market risk. Uncured NYISO obligations are addressed between the utility and the NYISO.*

16. Alleged breaches of Owner obligations need to be curable before automatic termination. (10.a.b)

Central Hudson Response: *Section 10(a) and (b) identifies specific obligations that cannot be cured before automatic termination.*

17. Will Central Hudson make whole an Owner in the event of termination after commercial operation date for convenience? (10.3.a.ii and 10.3.b.ii)

Central Hudson Response: *Central Hudson will provide a Termination Payment in accordance with Section 10.3 (a) and (b).*

18. Owner will not indemnify Central Hudson for Central Hudson's negligence. (13.1.h.i)

Central Hudson Response: *The last sentence of Section 13.1, below 13.1(i) says "To the extent permitted under Applicable Laws, this indemnity applies notwithstanding CHGE's active or passive negligence..." New York General Obligations Law Section 5-322.1 prohibits indemnification enforcement where there is negligence in specified circumstances.*

19. Does NYISO need to be included in the definition of Governmental Authority? Inclusion may create issues in the document and questions on Owner vs. Utility obligations and should be separated out (13.4)

Central Hudson Response: *Yes, NYISO's authority is derived from the Federal Energy Regulatory Commission, a Governmental Authority.*

20. Can Changes in Law for items such as Government fees not existing at time of contract be handled as a relief event? (13.4)

Central Hudson Response: *Central Hudson is not certain what the term "relief event" means. It is not a contract term. Section 13.4 specifies who is responsible for Governmental Charges. Because Governmental Charges cannot be avoided there cannot be relief from them and provisional relief as discussed in Section 12.4 is not an applicable solution.*

21. Force Majeure events are events beyond the reasonable control of the affected party. Foreseeability is not the standard for what constitutes an event. Obligation to mitigate an event should be limited to money damages. (Exhibit A Definitions, Force Majeure) Can the exceptions

to Force Majeure, such as NYISO curtailments and permitting delays, be removed? (Exhibit A Definitions, Force Majeure)

Central Hudson Response: *No. These are foreseeable events and risks that are part of the business in which Owner is participating.*

Real Property Division (L. Mangels)

Appendix C1 – Site Control:

1. Would a signed landowner option agreement constitute as having site control?

Central Hudson Response: *A signed landowner option agreement constituting site control would be dependent on the language of the option agreement. If the landowner does not have the ability to terminate the agreement, then an agreement could be considered as site control. The Bidder would still be required to fully detail the agreement per Appendix C1 of the RFP. More specifically, it will be the responsibility of the Bidder to ensure the option agreement is of adequate length and other aspects to be considered as site control.*