

Competitive Bidding



The Regulatory Assistance Project

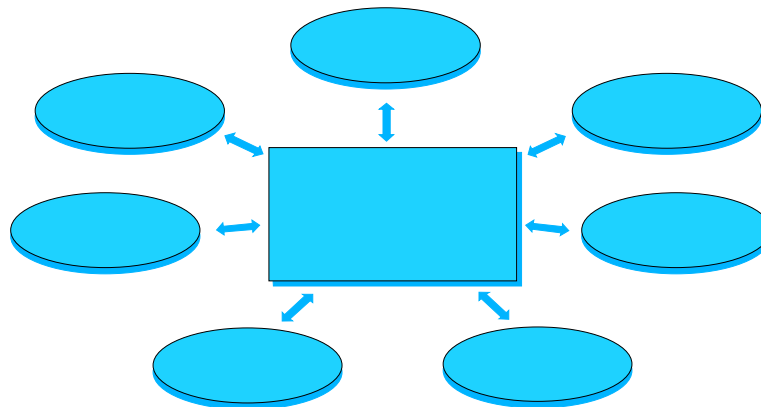
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Competitive Bidding

- Benefits of clear and complete RFP
 - Absolutely required if affiliates can bid
 - Greater number of bids meeting utility's need
 - More efficient competition
 - Greater confidence in selection





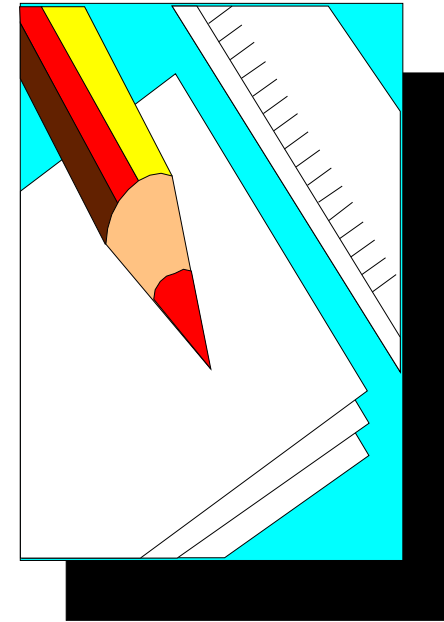
Bidding Issues

- Contract issues
- Who can bid?
- How are bids evaluated?
- What regulatory process is used?



Resource Contracting

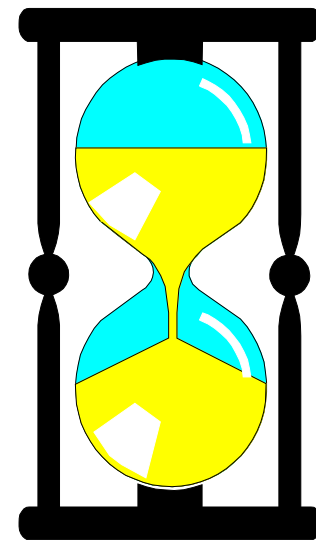
- Financiability
- Pricing certainty
- Payment stream flexibility
- Interconnection issues
- Contract sanctity
- Curtailment/dispatchability issues
- As-delivered capacity
- Length of contract term





Standard Contracts

- Benefits of Standard Contract terms and conditions
 - Simplify negotiations
 - Reduce uncertainty; improve financing
 - Equity among participants
 - Better gauge of potential
 - Speed process
 - May be needed to deal with affiliate issues



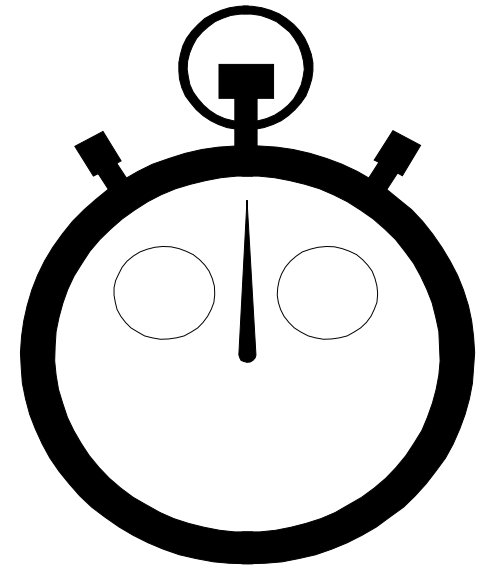


Dealing with Contingencies

- Power contracts can allow independent generation to be used as efficiently as utility units
- Contracts can deal with risks and contingencies better than the traditional utility-owned options
 - Risks include demand, technology, fuel, environmental and market structure

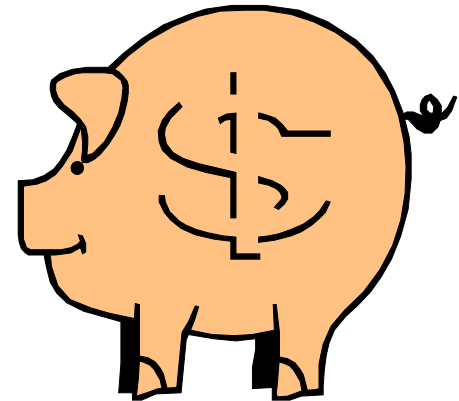
Contract Front End (Pre-construction)

- Buy delay
 - Exercisable prior to construction
 - Can delay up to life of permits
 - Price is bid
- Buy out
 - Exercisable prior to defined date
 - Price is bid
 - May provide significant advantage vs. self-build



Contract Back End (Post-construction)

- Buyout
 - May be expensive
 - Pre-determined cost or independent appraisal
- Market out
 - Early termination
 - Price reduction with cost test
 - Unlikely if project equity is thin
- Other concepts being tried
 - Shorter contract terms
 - Trigger mechanisms (e.g., retail load loss)





Who can bid?

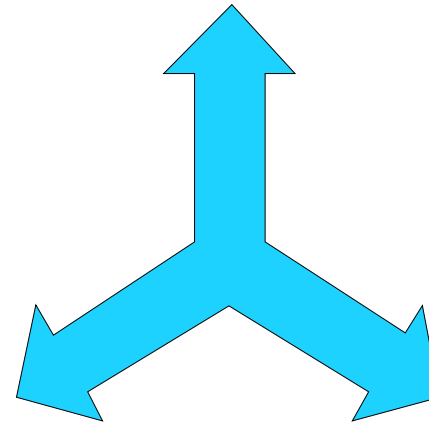
- Can utility bid and be paid bid price rather than cost?
 - Pros
 - One more bidder
 - Cons
 - Self-dealing
 - Who judges
 - Poisons bid
 - Consumers pay more





Who can bid - 2

- Repowers, upgrades, infra-marginal options
 - Transfer value?
 - COS vs bid price?
 - Auction asset?



How are bids evaluated?

- Price terms
 - How to deal with diversity, environment, and other factors that are hard to quantify
- Price pattern
 - Rate impacts
 - Risk impacts
 - Resource bias
- Other risk issues

