



# Information Session: 2023 AES Indiana All-Source RFP

Presentation by Sargent & Lundy May 3, 2023

# Agenda



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- Evaluation and Submittal Requirements
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This presentation will be posted to the <u>2023 ASRFP Information Website</u>.





# Introduction

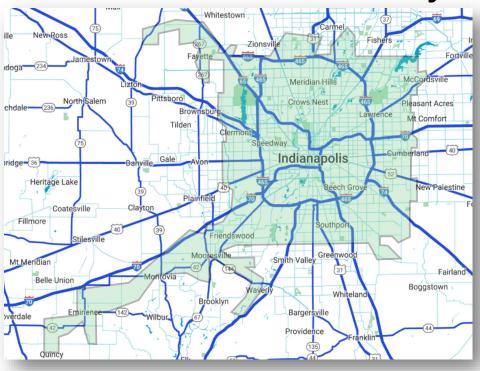


### Introduction—AES Indiana



- Generates, distributes, and sells electricity to 500,000+ customers in greater Indianapolis area
- Subject to regulation from Indiana Utility
  Regulatory Commission (IURC) and FERC
- Participates in MISO market
- Soliciting offers for near-term capacity and energy
  - Engaged Sargent & Lundy as all-source RFP independent manager







# **RFP Background**



#### **2022 Integrated Resource Plan**

- Unprecedented market changes
- MISO's Seasonal Resource Adequacy Construct
- Inflation Reduction Act
- Volatile commodity prices
- Identified needs:
  - ~300 MW of winter capacity starting 2025
  - 500 1,000 MW energy resources by 2027

#### 2023 All-Source RFP

- Requesting competitive proposals for energy and capacity to be available during:
  - 2025–2026, 2026–2027, and/or 2027–2028
    MISO Planning Years
- AES Indiana will accept:
  - Proposals with capacity ratings of no less than 50 MW
  - Proposals with storage technologies should have durations of no less than 2 hours





# Milestone Schedule



### Milestone Schedule



Milestone	Date
RFP Released to Public	April 7, 2023
RFP Webinar	May 3, 2023
Respondent Clarification Submittal Deadline	5:00 p.m. CST May 16, 2023
Respondent Proposal Submission Date	June 30, 2023
Conclusion of Phase I Evaluation Selection of Shortlisted Proposals	Q3 2023
Conclusion of Phase II Evaluation Selection of Proposals for Contract Negotiation	Q4 2023
Due Diligence and Negotiation Period	Q4 2023 – Q1 2024
Definitive Agreement(s) Executed with Selected Respondent(s)	Q2 2024

Late proposals will not be accepted





# **Clarification Submittals**



### **Question Submittals**



- All questions must be submitted using the question form on the RFP website
- Written responses to be posted on RFP website
- Identifying information from questions to be removed
- Requests for additional information to be sent to <u>AESI2023ASRFP@sargentlundy.com</u>

Under no circumstance should respondents directly contact AES Indiana or Sargent & Lundy employees about this RFP





# **Scope of Supply**



# Scope of Supply—General



- Must meet MISO reliability agreements, procedures, and standards
- Energy settled or directly delivered to the IPL.IPL node preferred
  - Otherwise, resources must have energy settled/delivered to (at least) Indiana Hub
- Must qualify for zonal resource credits for MISO LRZ 6 consistent with MISO planning resource auction
- Proposals may be asset transfer agreements or PPAs

# Examples of Eligible Capacity Resources (New, Existing, or Repowered)

Wind

Solar

Battery (can be paired with other resources)

**Thermal** 

Hydrogen

Geothermal



# Scope of Supply—General



Items to be identified and included in each proposal:

- Costs of required infrastructure, if applicable
- Costs of property, state, and local taxes and tax abatements
- Specific point(s) of interconnection, including type(s) of transmission service
- Nodal economic analyses under base case (n-1) and outage scenarios (n-1-1) to identify expected congestion impacts on energy production
- Tax credit qualification plan, if applicable

Must use an existing proven technology available during the 2025–2026, 2026–2027, and/or 2027–2028 MISO planning years



## **Scope of Supply—Asset Transfers**



#### **General Characteristics:**

- Transfer of land rights controlled by respondent to AES Indiana
- Transfer of assets during development phases is acceptable but must have, at minimum, completed early phase development activities as defined in the RFP
- Proposals with transfers of an existing, operating facility are acceptable
- Use of the contract templates included in RFP Appendixes D–I, as applicable



## **Scope of Supply—PPAs**



#### Characteristics:

- Minimum of 5 years and maximum of 30 years
- Start date in MISO planning years 2025–2026, 2026–2027, or 2027–2028
- Qualification for zonal resource credits for the planning resource auction
- Fuel delivery history for the last 5 years describing fuel: (a) sourcing; (b) supply contract provisions; and (c) supply and storage infrastructure
- Explanations of operating limitations under environmental and other permits
- Explanations of identified environmental liabilities (e.g., potential site remediation requirements)
- Utilization of contract template in RFP Appendix J





# **Evaluation and Submittal Requirements**





### **Proposal Evaluation—Overview**



#### Phase 1

Initial screening of proposals based on initial qualitative and pricing evaluation



#### Phase 2

Selection for negotiations based on detailed qualitative and economic evaluation



# **Proposal Evaluation—Phase 1**



- Categorize proposals by technology and agreement type
- Review information in proposal data forms
- Calculate LCOE/LCOS
- Develop initial qualitative score from 4 categories
- Evaluate delivery risks associated with proposed locations
- Sort proposals from highest to lowest score prior to the Phase 2 detailed evaluation

#### **Initial Qualitative Scoring**

Category	Available Points
LCOE/LCOS Evaluation	500
Technical Viability	100
Project Development Status	200
Respondent Experience	100
Financing Plan and Qualifications	100
Total	1000



## Proposal Evaluation—Phase 2



- Refines Phase 1 pricing evaluation and determines cost effectiveness of the evaluated proposals
- Qualitative criteria detailed in RFP
- Following Phase 2 evaluations, AES Indiana will select proposals to proceed with contract negotiations
- During negotiations, AES Indiana will conduct additional due diligence on the proposals:
  - onsite visits
  - management interviews
  - environmental, legal, regulatory, and real estate due diligence
  - detailed engineering assessments
  - facility dispatch modeling



# **Submittal Requirements**



- Formatted per RFP Section 3
- Same contact name, email address, and company name for each uploaded document
  - Respondents cannot see or edit uploaded documents once sent

Proposal Quantity	Fee
First 3 proposals*	\$0
Each proposal thereafter*	\$5,000/proposal

\* Sargent & Lundy will determine whether a submission is deemed a single or multiple proposal. Generally, proposals with identical characteristics (e.g., site, technology, size, etc.) under different structures (i.e., asset transfer or PPA) are considered one proposal.





# **Credit Qualification and Collateral**





## **Credit Qualification**



#### **Credit Worthiness Standards:**

- S&P BBB- or higher rating for senior unsecured debt and/or corporate issuer (or Baa3 or higher for Moody's or BBB- or higher for Fitch)
  - Minimum investment grade credit rating—most recently published, unsecured senior long-term debt rating (or corporate issuer rating) of BBB-, Baa3, or BBB- from S&P, Moody's, or Fitch, respectively
- Alternatively, credit support from a corporate guarantor that meets RFP requirements
- Alternatively, a letter of credit from a U.S. commercial bank, U.S. financial institution, or U.S. branch/subsidiary of a foreign commercial bank/financial institution having or guaranteed to have a long-term unsecured senior debt rating of any two of the following:
  - A3 or better by Moody's
  - A- or better by S&P
  - A- or better by Fitch



# **Credit Qualification**



#### **Asset Transfers:**

- Must post definitive agreement (DA) collateral as determined in accordance with the proposal if selected
- DA collateral must be posted at the execution of the DA and will be in force until transfer of title to AES Indiana

#### PPAs:

 May be required to post operating collateral over PPA term per terms and conditions of final agreements as negotiated with AES Indiana

#### **Both:**

Collateral must be in the form of either: (a) a letter of credit; or (b) cash



# **Credit Collateral**



Capacity Asset	DA Collateral	Collateral Amount
New Generation Facility	Developmental Security	\$20.00/kW upon execution of DA
New Generation Facility	Developmental Security	\$75.00/kW upon regulatory approval
<b>Existing Generation Facility</b>	Maintenance Security	12 months expected total O&M expense

Capacity Asset	Operating Collateral	Collateral Amount
PPA	Operating Security	Lesser of \$200/kW or 12 months expected revenues





# **Completeness Checklist**



### **Proposal Completeness Checklist**



#### RFP Appendix C, Schedule A

- Guide to confirm that all forms have been completed
- Respondents must verify that all information is submitted in line with RFP requirements
- Respondents shall make every effort to convey all requested details of their proposal(s) in the Appendix C data forms without references to other proposal documents





# **Summary**



# **Key Details Summary**



Milestone	Date
Submission Deadline: Clarifications	May 16, 2023 (5:00 p.m. CST)
Submission Deadline: Proposal	June 30, 2023

All questions/clarification requests to be submitted through the 2023 ASRFP Q&A Form



# Thank You

