**North American Energy Standards Board**

**Request for Initiation of a NAESB Business Practice Standard, Model Business Practice or Electronic Transaction**

**or**

**Enhancement of an Existing NAESB Business Practice Standard, Model Business Practice or Electronic Transaction**

**Instructions:**

 **1. Please fill out as much of the requested information as possible. It is mandatory to provide a contact name, phone number and fax number to which questions can be directed. If you have an electronic mailing address, please make that available as well.**

 **2. Attach any information you believe is related to the request. The more complete your request is, the less time is required to review it.**

 **3. Once completed, send your request to:**

 **Rae McQuade**

 **NAESB, President**

 **1415 Louisiana, Suite 3460**

 **Houston, TX 77002**

 **Phone: 713‑356‑0060**

 **Fax: 713‑356‑0067**

 **by either mail, fax, or to NAESB’s email address, naesb@naesb.org.**

**Once received, the request will be routed to the appropriate subcommittees for review.**

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 Date of Request: January 9, 2024

1. Submitting Entity & Address:

 ICF Consulting, Reston, VA

 U.S. Department of Energy, Washington, DC

2. Contact Person, Phone #, Fax #, Electronic Mailing Address:

 Name : Joseph Paladino

 Title : Senior Advisor, Office of Electricity, US Department of Energy

 Phone : 202-251-0373

 E‑mail : joseph.paladino@hq.doe.gov

 Name : Saumil Patel

 Title : Technical Consultant, ICF International

 Phone : 248-550-7605

 E‑mail : saumil.patel@icf.com

1. Title and Description of Proposed Standard or Enhancement:

Title: A proposal for a standardized pro forma distribution service contract for DER aggregations

Description:

The aim of this proposal is for the North American Energy Standards Board (NAESB) to develop a standardized pro forma contract for Distributed Energy Resources (DER) services for the distribution grid. The use of DER services for distribution grids and wholesale markets is anticipated to grow by upwards of 300% over this decade and the need for FERC Order 2222 alignment. However, there are two key issues that need to be addressed. One, there is significant variation and inconsistency in utility distribution service contracts across different utilities, states, and types of DER that create significant market barriers for DER aggregators as noted by DOE. Second, there is a need to conform utility DER services contracts to FERC Order 2222 requirements that flow down to distribution utilities in ISO/RTO markets to ensure market and operational coordination for DER aggregations that participate in both distribution and wholesale opportunities. The DOE emphasized the growing importance of Virtual Power Plants and their crucial role in the energy landscape in a report titled “Pathways to Commercial Liftoff for Virtual Power Plants.[[1]](#footnote-2)” One of the key imperatives of the report is the need for improved standardization in VPP operations within distribution systems. In this context, standardized service agreement contracts will play a pivotal role by ensuring consistency in terms and conditions, providing clarity, and enhancing scalability.

The Department of Energy’s (DOE) Office of Electricity, therefore, requests NAESB to develop a standardized pro forma contract. This contract would be designed to facilitate the implementation and operation of DER aggregation by establishing consistent contracting terms for distribution grid services. This standard DER services contract is expected to undergo a comprehensive development and review process involving NAESB’s members to ensure its relevance and applicability. Once finalized, the contract will be available on the NAESB website.

4. Use of Proposed Standard or Enhancement (include how the standard will be used, documentation on the description of the proposed standard, any existing documentation of the proposed standard, and required communication protocols):

The proposed pro forma contract, to be developed using NAESB’s standard process, will serve as the reference agreement for DER provided distribution services between DER aggregators and distribution utilities. The proposed pro forma contract, set to be accessible on the NAESB websites, is designed to serve as the reference contract for formal adoption by state regulators and/or by US distribution utilities for DER services for the distribution network.

A general outline of a pro forma agreement is provided by reference in the attached DOE paper, “Standard Distribution Services Contract”. This reference paper identifies and discusses key terms and supporting documents that may form a pro forma agreement, including elements that align with FERC Order 2222 compliance plans.

5. Description of Any Tangible or Intangible Benefits to the Use of the Proposed Standard or Enhancement:

The utilization of DERs continues to increase as part of climate mitigation and adaptation efforts involving greater variable renewable large-scale and distributed energy and electrification. Needed DER services are forecast to reach 200GW to support both wholesale and distributed grid needs. Specifically, the provision of distribution level grid services from DER is urgently needed to offset the potential $200+ billion in distribution upgrade costs that may otherwise occur from the forecast 40% increase in electrification load. Absent, efficient sourcing of DER services distribution cost increases could cause significant customer affordability issues and delays in achieving clean energy and electrification goals.

6. Estimate of Incremental Specific Costs to Implement Proposed Standard or Enhancement:

N/A

7. Description of Any Specific Legal or Other Considerations:

N/A

8. If This Proposed Standard or Enhancement Is Not Tested Yet, List Trading Partners Willing to Test Standard or Enhancement (Corporations and contacts):

N/A

9. If This Proposed Standard or Enhancement Is In Use, Who are the Trading Partners :

N/A

10. Attachments (such as : further detailed proposals, transaction data descriptions, information flows, implementation guides, business process descriptions, examples of ASC ANSI X12 mapped transactions):

DOE paper: S. Patel and P. De Martini, “Standard Distribution Services Contract”, DOE, 2023 (attached)

1. Department of Energy. (2023). [*Pathways to Commercial Liftoff: Virtual Power Plants*](https://liftoff.energy.gov/wp-content/uploads/2023/10/LIFTOFF_DOE_VVP_10062023_v4.pdf). [↑](#footnote-ref-2)