October 9, 2024

Caroline Trum

Director, Wholesale Electric Quadrant

North American Energy Standards Board

1415 Louisiana Street, Suite 3460

Houston, Texas 77002

Re: Comments on NAESB Draft Standard Contract for Distribution Services

This memo provides comments by ICF on behalf of DOE’s Distribution Grid Transformation program on the draft standard contract for distribution grid services. Our comments are intended to ensure that the contract is clear, standardized, and practical for all parties involved. The contract is intended to be used for the purchase of distribution grid services by a distribution system operator, under retail jurisdiction. No bulk power system services are intended to be contracted for under this Contract (as defined at Section 2.15 of the Base Contract).

In addition, there are aspects of this proposed contract that are not currently applicable and nor likely in the near future. This will result in parties negotiating alternative non-standard terms and conditions to meet the need and require protracted contract negotiations when using this form.

For your consideration:

1. **Definition of Distribution Services:**  
   We recommend revising the "Distribution Service" definition in Section 2.25 of the Base Contract to describe the specific distribution grid services that will be covered by the Contract. The following is suggested revised language:

**Distribution Service:** A service provided by a distribution service provider to a distribution system operator for the operation of the distribution system under retail jurisdiction. The Distribution Services covered by this Contract are:

* 1. **Distribution Voltage and Reactive Power:** The ability to control leading and lagging reactive power on the system to maintain appropriate voltage levels and acceptable voltage bandwidths (ANSI C84.1), to maximize efficient transfer of real power to the load under normal and contingency conditions, and to provide for operational flexibility under normal and abnormal conditions.
  2. **Distribution Capacity:** A non-wires alternative (NWA) supply and/or a load-modifying service that provides as required via reduction or increase of power or load that is capable of reliably and consistently reducing net loading on desired distribution infrastructure.
  3. **Power Quality:** Services that satisfy power quality requirements regarding flicker and harmonics should be within acceptable levels.
  4. **Resilience and Reliability**: Services capable of improving local distribution resilience and reliability within the distribution system. This service may also involve microgrid islanding and availability to reduce demand when restoring customers’ abnormal configurations.

These services are specifically related to the distribution network and do not involve bulk power system services.

We have made suggested edits in the draft Contract documents, striking out all reference to black start, frequency response, and transmission voltage management which are bulk power system services.

1. **Market Mechanisms and Settlement:**  
   Market-based performance obligations and settlement mechanisms for non-performance as described in Section 3.2 and 9.3.1 in the draft are impractical since no market mechanism as contemplated exists for distribution services thus no market price is readily available. Including these mechanisms in the Contract now serves no practical purpose and may lead to confusion. The contract does allow for non-market based performance settlements in Section 3.2 and 3.3 these provisions for parties to agree on non-performance damages **i**s a practical alternative. However, this may lead to more time and effort for parties to negotiate the terms and thus result in non-standard terms. This issue may be addressed in the FAQ by citing reference documents and presenting industry best practices for consideration.
2. **Clarification in FAQ:**The FAQ can provide users with some helpful guidance on applicability of the Contract, discussion and examples of Governing Documents, utility
   1. We suggest that the FAQ should clearly state the applicability and use of this contract covers distribution grid services only and explicitly state that it excludes bulk power system services. This will help avoid misinterpretation.
   2. The terms "Aggregation Plan", utility “Applicable Program Requirements” and other precursor agreements noted lack clear definitions. These documents are crucial to constructing the Contract and require parties to spend what might amount to a significant amount of time developing and negotiating these precursor documents. To improve standardization, we recommend adding detailed definitions and guidance in the FAQ regarding precursor agreements & processes using the DOE DSC paper as a reference.
   3. We recommend that the FAQ section reference the DOE paper regarding the specific distribution grid services and the related utility regulatory commission references (e.g., California PUC and Hawaii PUC) to provide additional context for the readers about the Distribution Services covered by this contract and how these grid services are in use in various retail jurisdictions across the country. This will help clarify the scope and use of the contract.

Thank you for the opportunity to review and comment on the draft Contract.

Respectfully,

Saumil Patel (ICF)

Dale Murdock (ICF)

cc: J. Paladino (DOE)