VITOL INC.

INV 2023-001

DOE SET 3 QUESTIONS

Date Request Received: 10/17/23

Request No. DOE IQ 3-1

Date of Response: 11/02/23

Contact: Joe Wadsworth,

Head of Energy Market Affairs

jxw@vitol.com

REQUEST:

2-1. If your company has not participated in one or more recent solicitations in New Hampshire, or provided bids less than the maximum requirement (i.e., only for a portion of available tranches):

a. What were the determining factors for each decision?
b. When was each decision made during the procurement cycle (e.g., before initial solicitation, before initial bids, before final bids)?
c. Are there risk elements associated with New Hampshire's default service products that affected your company's past participation but have since been mitigated? Please identify specific risk elements, as applicable.

RESPONSE:

We have opted to not participate in recent solicitations in New Hampshire due to risks that have been placed upon wholesale suppliers that are extremely difficult to value and manage.

a. The primary factor influencing our declining to participate is the inclusion of the Mystic Cost of Service ("COS") charges in the full requirements product. Monthly costs for the Mystic COS contract are volatile and have ranged from approximately $0.25/MWh to approximately $14.50/MWh. Because there is very little transparent forward information about the operations under the contract, monthly cost obligations for load services are unpredictable, which makes pricing this obligation into default service bids extremely challenging and fraught with risk.

b. We made the decision to not bid when we reviewed the solicitation proposals and confirmed with the solicitation managers at each electric distribution company that the Mystic COS out-of-market costs would be included in the wholesale supplier's obligation and not treated as a pass-through cost to customers.

c. There are none.

VITOL INC.

INV 2023-001

DOE SET 3 QUESTIONS

Date Request Received: 10/17/23

Request No. DOE IQ 3-2

Date of Response: 11/02/23

Contact: Joe Wadsworth,
Head of Energy Market Affairs
jxw@vitol.com

REQUEST:

2-2. Are there newly emerging risk elements associated with New Hampshire's default service products that might cause your company to not participate in future default service procurements?

RESPONSE:

The recent implementation of municipal and county aggregation in New Hampshire has introduced a volumetric risk for wholesale suppliers that's difficult to account for when pricing supply for utility solicitations and difficult to manage after receiving full requirements awards. If municipal aggregation programs commence or terminate after the supplier has been awarded full requirements positions, the supplier's positions will change, potentially significantly, due to the en masse movement of customers between default service and municipal aggregation programs. The significant change in a supplier's full-requirements positions will force the supplier to unexpectedly either buy or sell hedge products in the open market, potentially at an economic loss, which is difficult to account for when pricing supply for solicitations. Improvement of the harmonization of the notification timing requirements for municipal and county aggregation programs with utility supply solicitation timelines should focus on providing greater certainty to suppliers on the commencement and termination of these programs prior to the deadline for bidding in the utilities' solicitations for supply. Doing so will help alleviate this potentially significant volumetric risk and lead to lower risk premiums included in full requirements supply prices.

VITOL INC.

INV 2023-001

DOE SET 3 QUESTIONS

Date Request Received: 10/17/23

Request No. DOE IQ 3-3

Date of Response: 11/02/23

Contact: Joe Wadsworth,

Head of Energy Market Affairs

jxw@vitol.com

REQUEST:

2-3. Do failed solicitations (i.e., insufficient bids selected to meet the full requirement) affect your company's participation in future solicitations in a state/utility?

RESPONSE:

Failed solicitations do increase reluctance to participate in future solicitations, particularly if there are consecutive or multiple failed solicitations, no matter the reason for the failed solicitations. An isolated failed solicitation where the participating suppliers are notified of the failed event prior to any awards being made is not as concerning.

We are less likely to participate in solicitations in jurisdictions where the Public Utility Commission has denied approval of the awards for a past solicitation. When this occurs, suppliers are exposed to the risk of liquidating a hedge position at a loss, especially in markets where prices are volatile. When a supplier is informed of being a winning bidder, the supplier typically goes to market to procure expected supply volumes for the term of the transaction. If the Public Utility Commission subsequently cancels the results of the procurement, a winning supplier must then liquidate its hedges in the market. If market prices have moved against the supplier, the supplier will be forced to take a loss on the sale. In addition to market losses, the supplier will also be forced to absorb transaction fees on both the purchase and the sale of its hedge volumes.

VITOL INC.

INV 2023-001

DOE SET 3 QUESTIONS

Date Request Received: 10/17/23

Request No. DOE IQ 3-4

Date of Response: 11/02/23

Contact: Joe Wadsworth,

Head of Energy Market Affairs

jxw@vitol.com

REQUEST:

2-4. All else equal, do differences in utilities' procurement practices (e.g., procurement mechanism, solicited products, tranche size, contract duration, timing) affect your company's ability or willingness to participate in a solicitation? As applicable, please specify which practices would affect your decision to participate and under what circumstances.

RESPONSE:

Consistent terms and products across utilities are helpful but are not imperative as long as the details of each utility's solicitation are clearly stated and there is easy access to communicate with solicitation managers at the utilities to ask questions and obtain clarifications as needed. We understand that the needs of each utility vary and a "one size fits all" solicitation structure may not always work well.

However, there are some important aspects that should be consistent across all solicitations in order to keep risk premiums in supply prices at reasonable levels. They are:

1. Solicitation tenors should align with the tenors of energy commodities liquidly traded in bilateral markets. For example, splitting the months of January and February and the months of July and August into separate procurements does not align with the fact that on a forward basis January and February trade together as a winter package and July and August trade together as a summer package in the bilateral markets. Because there is little to no liquidity on a forward basis for the trading these months individually, suppliers are forced to take speculative positions if they participate in solicitations where these months are divided into separate procurement periods, which intuitively will increase the risk premium included in supply prices.

2. Solicitations should pass through to customers certain out-of-market costs, such as the costs associated with the Mystic COS, where there is no competitive benefit to customers for having suppliers wear the risk. Given the unpredictability and volatility of these costs, suppliers will likely include significant risk premium in their supply prices to attempt to cover this risk, leading to higher prices for customers. The most economical solution for customers is to pass these types of charges through at cost and eliminate the guess work and risk premium added by suppliers.

VITOL INC.

INV 2023-001

DOE SET 3 QUESTIONS

Date Request Received: 10/17/23

Request No. DOE IQ 3-5

Date of Response: 11/02/23

Contact: Joe Wadsworth,
Head of Energy Market Affairs
jxw@vitol.com

REQUEST:

2-5. Does your company have any 'deal breaker' conditions (market-related, procedural, or otherwise) that would result in not participating in default service solicitations in a state or with a utility?

RESPONSE:

We are not likely to participate in solicitations where prices are left open beyond the same trading day or the awards are at a high risk of non-approval by the Public Utility Commission after confirmation of a win with the utility. We also are not likely to participate in jurisdictions where dramatic load shifts can occur due to municipal aggregation movement into/out of default service within a supply period with no notice or transparency given to suppliers prior to the solicitation.

VITOL INC.

INV 2023-001

DOE SET 3 QUESTIONS

Date Request Received: 10/17/23

Request No. DOE IQ 3-6

Date of Response: 11/02/23

Contact: Joe Wadsworth,
Head of Energy Market Affairs
jxw@vitol.com

REQUEST:

2-6. Is your company's decision to participate in a default service solicitation affected by timing between the final offer and:

a. Notice of award by the utility?
b. Contract execution?
c. Commission approval of the executed contract?

RESPONSE:

We strongly prefer shorter time periods between suppliers' submitting final offers and the notice of award, the execution of the contract, and the approval of the contract by the Public Utility Commission. The longer the time period between these events means that suppliers must hold their prices open which creates greater risk exposure to market price volatility. We encourage New Hampshire to mimic Connecticut's practice where a representative from the Public Utilities Regulatory Authority is with the solicitation manager at the utility on the day of the solicitation in order to expediently review offers, make awards, and execute contracts with winning suppliers within a few hours following the submittal of final offers. This dramatically reduces suppliers' exposure to market price volatility risk.

VITOL INC.

INV 2023-001

DOE SET 3 QUESTIONS

Date Request Received: 10/17/23

Request No. DOE IQ 3-7

Date of Response: 11/02/23

Contact: Joe Wadsworth,

Head of Energy Market Affairs

jxw@vitol.com

REQUEST:

2-7. Is your company's solicitation bid price affected by timing between the final offer and:

a. Notice of award by the utility?
b. Contract execution?
c. Commission approval of the executed contract?

RESPONSE:

Yes, a longer delay between the final offer and the award notice, contract execution, and Commission approval likely leads to a higher premium to account for the supplier's greater risk exposure to market price volatility.

VITOL INC.

INV 2023-001

DOE SET 3 QUESTIONS

Date Request Received: 10/17/23

Request No. DOE IQ 3-8

Date of Response: 11/02/23

Contact: Joe Wadsworth,
Head of Energy Market Affairs
jxw@vitol.com

REQUEST:

2-8. In your company's opinion, what is the idea/acceptable amount of time between submission of final bids and:

d. Notice of award by the utility?
e. Contract execution?
f. Commission approval of the executed contract?

RESPONSE:

We encourage New Hampshire to mimic Connecticut's practice where a representative from the Public Utilities Regulatory Authority is with the solicitation manager at the utility on the day of the solicitation in order to expediently review offers, make awards, and execute contracts with winning suppliers within a few hours following the submittal of final offers. This dramatically reduces suppliers' exposure to market price volatility risk.

VITOL INC.

INV 2023-001

DOE SET 3 QUESTIONS

Date Request Received: 10/17/23

Request No. DOE IQ 3-9

Date of Response: 11/02/23

Contact: Joe Wadsworth,

Head of Energy Market Affairs

jxw@vitol.com

REQUEST:

2-9. Should all utilities in the same state have identical or very similar procurement practices?

RESPONSE:

Please see our response to Request 2-4.

VITOL INC.

INV 2023-001

DOE SET 3 QUESTIONS

Date Request Received: 10/17/23

Request No. DOE IQ 3-10

Date of Response: 11/02/23

Contact: Joe Wadsworth,

Head of Energy Market Affairs

jxw@vitol.com

REQUEST:

2-10. Should all utilities in the same state have the same costs included in their default service products?

RESPONSE:

Please see our response to Request 2-4.

VITOL INC.

INV 2023-001

DOE SET 3 QUESTIONS

Date Request Received: 10/17/23

Request No. DOE IQ 3-11

Date of Response: 11/02/23
Contact: Joe Wadsworth,
Head of Energy Market Affairs
jxw@vitol.com

REQUEST:

2-11. Would differences between utilities' procurement practices in a state affect your company's willingness to participate in any or all solicitations?

RESPONSE:

Please see our response to Request 2-4.

VITOL INC.

INV 2023-001

DOE SET 3 QUESTIONS

Date Request Received: 10/17/23

Request No. DOE IQ 3-12

Date of Response: 11/02/23

Contact: Joe Wadsworth,
Head of Energy Market Affairs
jxw@vitol.com

REQUEST:

2-12. Which elements of volumetric risk (e.g., weather, aggregation formation or termination, behind the meter resources) have the greatest impact on your company's participation in procurements and/or the risk premium embedded in your company's bids?

RESPONSE:

Municipal aggregation programs that move customers into and out of default service within the procurement period but without prior notice before the solicitation event can create significant volumetric risk. Please see our response to Request 2-2.

The growing penetration of behind-the-meter renewable resources, particularly solar, makes forecasting load obligations increasingly more difficult. Greater transparency and improved data accuracy would help to diminish this risk.

VITOL INC.

INV 2023-001

DOE SET 3 QUESTIONS

Date Request Received: 10/17/23

Request No. DOE IQ 3-13

Date of Response: 11/02/23

Contact: Joe Wadsworth,
Head of Energy Market Affairs
jxw@vitol.com

REQUEST:

2-13. Does your company believe that it has adequate channels of communication with the New Hampshire utilities and / or the Public Utilities Commission to relay exceptions, recommendations, or concerns regarding the default service products being solicited by the utilities? If not, what sort of process would you recommend for providing feedback?

RESPONSE:

Our primary communications are with the utilities. We periodically share our recommendations and concerns regarding solicitations with them.

VITOL INC.

INV 2023-001

DOE SET 3 QUESTIONS

Date Request Received: 10/17/23

Request No. DOE IQ 3-15

Date of Response: 11/02/23

Contact: Joe Wadsworth,

Head of Energy Market Affairs

jxw@vitol.com

REQUEST:

2-15. Please identify additional information or data that could be made available by the utilities or the Public Utilities Commission that would either increase your participation or lower risk premium embedded in bids.

RESPONSE:

Providing additional data related to municipal aggregations and behind-the-meter solar resources would be helpful to lower risk and increase the likelihood of participation. For each municipal aggregation program, we recommend providing data showing (1) a time series of historical megawatt hours and capacity tags by customer types, (2) customer counts by customer types, and (3) expected commencement and/or termination dates. For behind-the-meter solar, we recommend providing a time series of historical nameplate capacity for these resources.

VITOL INC.

INV 2023-001

DOE SET 3 QUESTIONS

Date Request Received: 10/17/23

Request No. DOE IQ 3-16

Date of Response: 11/02/23

Contact: Joe Wadsworth,

Head of Energy Market Affairs

jxw@vitol.com

REQUEST:

2-16. Please identify procurement practices or process changes that could be adopted by the utilities or the Public Utilities Commission that would either increase your participation or lower risk premium embedded in bids.

RESPONSE:

Please see our responses to Requests 2-1, 2-2, 2-4, 2-6, and 2-8.