Industry Understanding Guide

Exhibit JE1

SP0604-26-R-0409: Coal-Generated Electricity

Version 1.0

1. Introduction

1.1 Purpose

This Industry Understanding Guide, Attachment ?? to solicitation SP0604-26-R-0409, is intended to assist prospective contractors, utilities, generators, marketers, retail energy providers, and other market participants in understanding the Government's acquisition approach for the purchase of coal-generated electricity.

This guide is informational in nature and does not modify, supersede, or replace the solicitation, contract, applicable laws, regulations, tariffs, or market rules. In the event of a conflict, the solicitation and contract documents shall govern.

1.2 Intended Audience

This guide is intended for:

- Coal-fired generating facilities
- Electric utilities
- Retail Energy Providers (REPs)
- Energy marketers
- Scheduling coordinators
- Balancing authorities
- Independent System Operators (ISOs)
- Regional Transmission Organization (RTO) participants
- Potential teaming partners
- Prospective IDIQ contractors

2. Acquisition Overview

2.1 Program Objective

The Government seeks to establish a contract vehicle capable of supplying retail electricity generated from coal-fired generation resources to Department of War (DoW) installations.

The objective is to provide a structured acquisition mechanism that allows DoW installations to obtain electricity generated from coal-fired resources while complying with applicable Federal acquisition regulations, utility regulations, and market requirements.

2.2 What the Government Is Purchasing

The Government is purchasing:

- Delivered electricity
- Generated from coal-fired generation resources
- For consumption at designated DoW installations

The Government is not purchasing:

- Coal as a fuel commodity
- Ownership interests in generating facilities
- Wholesale energy positions
- Capacity ownership
- Transmission ownership
- Utility infrastructure

The Government's objective is receipt of delivered retail electrical energy at designated delivery locations.

3. Understanding Electricity Markets

3.1 Electricity Supply Chain

Electricity delivered to an end-use customer generally involves multiple participants:

- Generator
- Scheduling entity
- Transmission provider
- Distribution utility
- Retail supplier (where applicable)
- End-use customer

In many instances, a single entity performs multiple functions.

3.2 Deregulated Markets

Certain states permit retail competition. In these markets:

- Customers may select their electricity supplier.
- Distribution remains the responsibility of the local utility.
- Energy supply may be provided by competitive suppliers.

Examples may include service territories within:

- PJM
- ERCOT
- NYISO
- ISO-New England
- MISO competitive regions

Market eligibility requirements vary by state.

3.3 Regulated Markets

Certain states maintain traditional vertically integrated utility structures.

In these markets:

- The utility remains the sole provider.
- Pricing is generally established through approved tariffs.
- Retail competition may not exist.

Participation requirements vary by state and utility.

4. Potential Contractor Participation Models

4.1 Generator Participation

Coal-fired generators may participate directly if capable of satisfying all contractual obligations associated with delivery of retail electricity to the Government.

Alternatively, generators may participate through teaming arrangements.

4.2 Retail Energy Provider Participation

Retail Energy Providers may participate as prime contractors or teaming partners where required by market structure.

Responsibilities may include:

- Customer enrollment
- Scheduling
- Settlement and invoicing
- Market compliance
- Utility coordination

4.3 Utility Participation

Utilities may participate where permitted by market structure and regulatory requirements.

Participation methods may vary between regulated and deregulated environments.

4.4 Teaming Arrangements

Offerors may establish teaming arrangements to satisfy contract requirements. The Government does not prescribe team composition. Contractors are responsible for ensuring performance capability.

Examples include, but are not limited to:

- Generator + REP
- Generator + Utility
- Generator + Marketer

5. Market-Specific Participation

5.1 Deregulated Market Participation

To serve a DoW installation located within a deregulated market, contractors may be required to:

- Maintain applicable licenses
- Schedule power
- Secure transmission arrangements
- Coordinate distribution delivery
- Perform settlement functions

Requirements vary by state and market operator.

5.2 Regulated Market Participation

To serve a DoW installation located within a regulated market, contractors may be required to coordinate with:

- State utility commissions
- Franchise utilities
- Transmission providers
- Applicable regulatory authorities

Requirements vary by state and utility.

6. Transaction Flow Examples

6.1 Deregulated Market Example

1. Installation develops requirement.
2. Government issues task order solicitation.
3. IDIQ contractors submit proposals.
4. Government awards task order.
5. Contractor schedules coal-generated electricity.
6. Transmission services are secured.
7. Distribution utility delivers electricity.
8. Installation receives service.

6.2 Regulated Market Example

1. Installation develops requirement.
2. Government issues task order solicitation.
3. IDIQ contractors submit proposals.
4. Applicable tariffs are identified.
4. Government awards task order/Service authorization is executed.
5. Utility delivers electricity.
6. Installation receives service.

7. Frequently Asked Questions

Is the Government purchasing coal?

No. The Government is purchasing electricity generated from coal-fired generation resources.

Is the Government purchasing wholesale energy positions?

No. The Government is purchasing retail electricity generated from coal-fired generation resources.

Can a generator participate?

Yes, provided the generator can satisfy applicable contract requirements directly or through teaming arrangements.

Can a utility participate?

Yes, subject to applicable regulatory requirements and market conditions.

Can a contractor team with other entities?

Yes.

Must offerors understand state-specific requirements?

Yes. Contractors are responsible for understanding and complying with applicable state and local requirements.

Does the Government dictate contractor team structure?

No.

Are contractors responsible for scheduling and delivery?

In many markets, yes. Responsibilities will depend upon market structure and task order requirements.

8. Contractor Responsibilities

Contractors remain responsible for:

- Regulatory compliance
- Market participation requirements
- Licensing requirements
- Scheduling obligations
- Settlement obligations
- Utility coordination
- Delivery performance

The Government does not assume these responsibilities.

9. Key Takeaways

a. The Government is purchasing electricity, not coal.
b. Electricity must be delivered to Federal installations.
c. Market requirements differ by state.
d. Teaming arrangements are permitted.
e. Contractors are responsible for understanding market participation requirements.
f. Delivery capability is as important as generation capability.
g. Successful performance requires coordination among multiple market participants.

10. Conclusion

The Government encourages participation from qualified industry partners capable of providing coal-generated electricity in accordance with applicable laws, regulations, tariffs, and market requirements.

Industry participants are encouraged to carefully review solicitation requirements and develop appropriate teaming arrangements where necessary to ensure successful contract performance.