



NORTH AMERICAN ENERGY STANDARDS BOARD

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NAESB TO WORK WITH U.S. DEPARTMENT OF ENERGY TO DEVELOP STANDARD DISTRIBUTION SERVICES CONTRACT

On February 7, 2024, at the request of the U.S. Department of Energy (DOE), NAESB will hold a kick-off meeting for the development of a standardized model contract to facilitate the acquisition of distribution services from distributed energy resource (DER) aggregations. The request is supportive of the U.S. DOE's activities to work with the electric industry to identify challenges and proactively address grid transformation issues as part of the Distribution Grid Transformation Program (Program). To initiate the effort, during the kick-off meeting, Joseph Paladino, Program Manager, Office of Electricity, will provide background on the related Program activities that have been underway at the U.S. DOE that resulted in the request submitted to NAESB and will describe how the development of a model contract can provide clarity and enhance the scalability of DER projects.

Per the U.S. DoE request, a significant market barrier inhibiting the provision of distribution services from DER aggregations is the lack of a standard contract that specifies discrete services and related performance expectations from aggregators. Currently, contracting practices can widely vary between jurisdictions and even utilities within the same state. The NAESB standard distribution services contract will incorporate terms and conditions, developed through a consensus-based process, that align with key aspects of state policies while providing flexibility for regulators and trading partners to adapt to unique circumstances. The intent is to create an agreement with broad applicability that will support consistency in contracting terms and definitions, minimize uncertainties in the contracting process, and reduce costs associated with counterparty negotiations. The NAESB process, open to members and non-members alike, provides for participation by any interested stakeholder regardless of market segment, making NAESB a uniquely situated organization to incorporate cross-market considerations into a model contract. Per the request, this will encourage market and operational coordination across distribution and wholesale interactions, enabling more seamless participation for DER aggregators seeking to participate in wholesale markets, consistent with FERC Order No. 2222 requirements.

As described in the U.S. DoE Pathway to Commercial Liftoff: Virtual Power Plants (VPPs), the use of VPPs comprised of DER aggregations could result in upwards of \$10 billion in annual savings of grid costs. In recognition of the crucial role VPPs may play in the energy landscape, the U.S. DoE issued an urgent call to action to accelerate commercial viability, noting that the expansion of VPPs is reliant on increased penetration of DER aggregations. Michael Desselle, NAESB's Chairman, stated "We appreciate the U.S. DoE's recognition of the impact NAESB model agreements have had in improving transactional efficiencies within wholesale markets and for competitive retail energy services. There is a growing need for standards to support integration and interoperability of DERs and DER aggregations, and the framework established by a NAESB model distribution services contract may lead to future standards development that can improve data sharing practices and enhance cybersecurity."

For more information, please contact Jonathan Booe, NAESB Executive Vice President and Chief Operating Officer (713) 356-0060.

The North American Energy Standards Board (NAESB) serves as an industry forum for the development and promotion of standards which will lead to a seamless marketplace for wholesale and retail natural gas and electricity, as recognized by its customers, business community, participants, and regulatory entities. It is composed of about three hundred corporate members in the energy industry and many more non-member volunteers who contribute to the drafting and adopting of NAESB standards. To learn more about NAESB, go to www.naesb.org.
