

Proactive AMI vendor selection

+ PEPCO ADDRESSES REGULATORY CONCERNS By Jeff Evans and Dale Gant

➤ PEPCO HOLDINGS, INC. (PHI) IS IMPLEMENTING ITS BLUEPRINT FOR THE Future, designed to pursue innovative technologies and initiatives that will provide PHI's customers with increased energy efficiency, demand response and pricing options. PHI's Blueprint includes implementing:

- **Advanced metering infrastructure (AMI)**
- **Meter data management (MDM) system**
- **Home area networking (HAN)**
- **Demand response**
- **Outage management system (OMS)**

VENDOR SELECTION STRATEGIES

The next two articles discuss key considerations for vendor relationships. Jeff Evans and Dale Gant focus on the vendor selection process for advanced metering infrastructure (AMI). Rodney Dow looks at the importance of understanding the structure and stability of potential vendors.

Critical to PHI's success is ensuring a vehicle for regulatory recovery of smart grid expenditures. PHI's service territory includes Delaware, the District of Columbia, Maryland and New Jersey—encompassing four different regulatory jurisdictions. PHI has filed Blueprint plans with each jurisdiction and is pursuing a consistent regulatory strategy focused on communicating the value of a smart grid for its customers. To date, Delaware has approved PHI's plan to proceed with smart grid functionality and approved a vehicle for regulatory recovery.

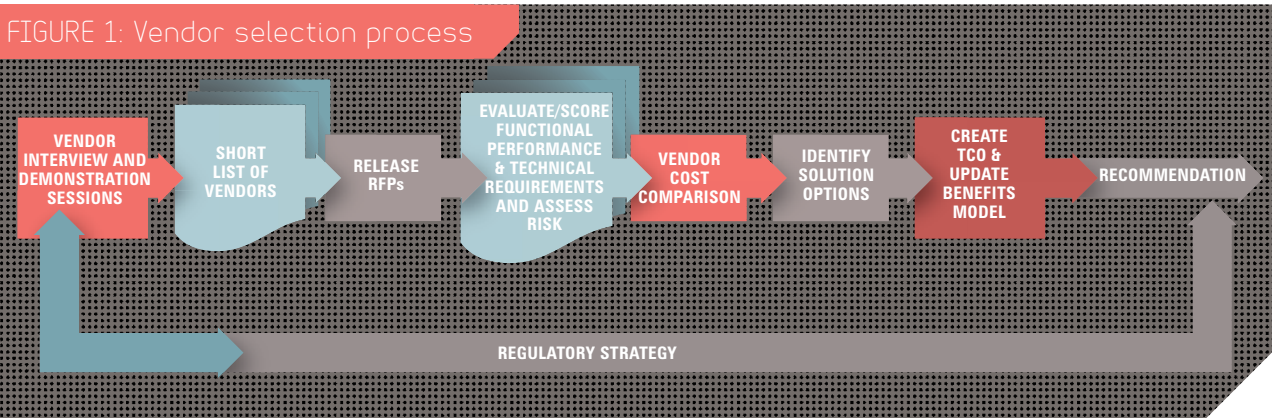
Critical to PHI's success in Delaware was the execution of a regulatory strategy of internal and external communications intended to secure buy-in and show value to customers. This regulatory strategy is not a one-time effort; instead, it's a concerted effort at each step in the AMI technology selection process (see sidebar: Key steps to select an appropriate AMI technology on page 14).

Potential AMI solutions must meet AMI requirements articulated by regulators. The Maryland PSC specified basic functionality that must be realized by any implemented AMI technology. PHI has ensured that Maryland PSC requirements, such as remote disconnect, outage notification, bi-directional measurement and remote programmability, will be realized. In addition, both New Jersey and Maryland regulators are driving the deployment of demand response and demand side management programs.

These requirements typically result in firm, quantitative benefits. Regulators are also concerned with the strategic value of AMI. The implementation of AMI technology is also intended to improve customer satisfaction and reliability.

Utility regulatory personnel should be directly involved in the vendor selection process. Their awareness and first-hand knowledge of potential vendors and solutions allows them to keep regulators apprised of utility efforts to fulfill regulatory requirements.

Opportunities to communicate PHI's intentions exist throughout the vendor selection process (Figure 1). Communication with regulators should not be limited to formal filings. Informal communications with PSC staff allow utilities to test understanding and validate expectations. PHI informally communicated with regulators at several milestones in the



Source: Enspira Solutions

vendor selection process.

Regulators are responsible for ensuring the prudence of a utility's investments. PHI has worked to clearly link each AMI functionality and performance requirement with quantifiable and strategic benefits. The costs necessary to deliver these benefits are being aggressively negotiated to ensure the most cost-effective solution.

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KEY STEPS TO SELECT AN APPROPRIATE AMI TECHNOLOGY

- \ **Identify regulatory implications** including AMI functionality specified by regulators, cost recovery of AMI investments and regulatory incentives, such as performance-based rates. Develop AMI regulatory strategy focused on communicating the value of AMI for its customers. This regulatory strategy is not a one-time effort; rather it's a concerted effort at each step in the AMI technology selection process.
- \ **Identify critical, must-have requirements.** What functionality, performance and technical requirements must an AMI technology deliver for your utility?
- \ **Interview vendors with the potential to address these requirements.** Vendors should be able to prove to you through demonstration, experience and a roadmap that they can meet your critical requirements.
- \ **Short list vendors to whom RFPs will be released.** Invite only those vendors who score highly during the interviews to respond to the RFPs.
- \ **Execute an objective and rigorous evaluation process.** Determine your expectations for each RFP requirement and objectively evaluate vendor responses against these expectations.
- \ **Assess the risk associated with implementing potential AMI technologies.** What viability, technology, implementation, and delivery risks exist and how can they be mitigated?
- \ **Assess the total cost of ownership for viable AMI technology solutions.** Determine the total lifecycle costs—both internal and external—required to realize the AMI technology solutions that you deem viable.
- \ **Validate references and actual deployments.** Talk with the utilities that have already implemented AMI technology solutions. Validate performance and technical claims and assess project management and implementation skills.

VISION

STRATEGY

REALITY

Technology contracts: Know thy vendor!

+ AN ONLINE OUTTAKE By Rodney Dow

 **A CARDINAL RULE OF ANY CONTRACT FOR SERVICES OR PRODUCTS IS to “know your vendor.”**

Granted, the requisite knowledge will vary with the risk profile of the service or product, however, information technology and business process outsourcing contracts invariably require close vendor scrutiny. Examples for energy utilities include contracts involving automated meter reading (AMR) and advanced metering infrastructure (AMI), meter data management (MDM) systems and customer information systems (CIS), to name a few. For such contracts the risk profile is affected by whether the deal is an outsourcing or a system acquisition. But either way, knowledge of the vendor is fundamental to a successful relation-

ship for the utility. Moreover, knowledge acquisition does not end when the contract is signed, and contractual protection is needed to ensure that reality does not diverge from what the utility has come to know.

Areas of concern should include the vendor's reputation, experience, expertise and commitment to the products and services sought. In addition, the vendor's financial strength and resources are key to its continued success and its ability to stand behind its promises. Also important is the vendor's dependency on others to perform under its contracts. The more the vendor relies on others, the greater the risk of nonperformance.

Long-term outsourcing of mission-critical functions magnifies these concerns. The future is inherently uncertain—circumstances can and