

MCE RFQ 2026-06 for DER Developers for MCE's VPP

Questions and Responses

Statements from MCE

Note on Value Sharing Calculations: MCE has received a significant number of questions regarding value calculation and estimated payments. Please refer to answers below for additional clarity and consider *Exhibit A SOW (draft)*, *Exhibit B Payment Terms (draft)*, and *Exhibit C Value Sharing Worksheet (draft)* included with these Questions and Responses. These materials are provided as examples of MCE's anticipated program approach and are subject to change.

Data and Telemetry Needs: To support MCE's market participation, we are seeking 5-minute intervals in telemetry data resolution. While equipment capable of hourly data resolution will not be eliminated from consideration, MCE will give preference to respondents able to propose equipment capable of 5-minute data resolution.

Assignment of Tariff Bill Credits: MCE's value-sharing framework describes how value generated by the VPP is shared among the VPP Partner, MCE, and the participating customer. Value assigned to the VPP Partner is distinct from the portion of value that is assigned to the participating customer through the VPP Tariff, and at this time it is not possible to assign customer tariff payments to VPP Partners.

Eligible Capacity Types and Services

- 1) We want to confirm what counts toward MCE's capacity goals under this program. Specifically, does demand reduction from existing commercial building loads qualify, or is MCE looking primarily for net new capacity installations?

Yes, MCE is interested in measurable and verifiable load modification from existing facilities and equipment deployments, as well as from net new installations. All participating sites must be enrolled in MCE's Proxy Demand Response (PDR) aggregation for the duration of the VPP Agreement (5 years for residential deployments, 7 years for commercial and industrial deployments), and dual enrollment in another PDR or CAISO market integrated DR program is not permissible during that period of time.

- 2) If a developer is looking to provide software/services that can support MCE in its VPP program and evaluation in Developer and non-Developer sites, where is it best to describe that and provide costs for that in the submission process?

MCE's current DER Developer Solicitation is seeking firms with demonstrated experience delivering customized facility improvements and dispatchable DER equipment installations across residential, commercial, and industrial market segments. Selected Developers will design, install, and operate DER projects in coordination with MCE and the VPP FLEX project team, and as such all respondents must meet the stated Minimum Qualifications outlined on page 10 of the RFQ packet. A software/service provider that cannot meet the stated Minimum Qualification Requirements would need to partner with an organization that does meet those requirements to submit a viable proposal.

- 3) Storage at MCE local renewable projects (page 1; Section IV): The RFQ invites proposals to add storage at "MCE's select local renewable energy projects." Please describe: (1) which projects are eligible, with their capacities and interconnection status; and (2) whether these resources would be front-of-meter (WDAT or exporting Rule 21) rather than behind-the-meter under the VPP Tariff; and (3) which contract, compensation, and ownership structure would apply, given that the VPP Tariff and the VPP Participation Agreement cover behind-the-meter customer resources only.

MCE will provide actionable lead lists to selected developers, which will be pre-screened for eligibility. While a potential future interest, MCE is not currently seeking front-of-the-meter (FTM) assets for participation in the VPP FLEX project. For all of MCE's VPP FLEX projects, the developer Value Sharing Agreement and the customer VPP Agreement are currently structured only for behind the meter resources.

Customer Acquisition and Program Transition

- 4) How will MCE decide which developers will get access to which "leads"? Will this be based on qualitative and/or quantitative scoring of capabilities, experience or will it be more arbitrary?

MCE will coordinate with qualified and selected developers to develop a tailored lead list based on the target market(s) and technology fit. MCE plans to select multiple vendors, and leads may be shared with multiple vendors to create choices and competitive opportunities for customers.

- 5) The Program targets agricultural customers, but the eligible commercial rate schedules in the VPP Tariff include no agricultural rates. Are AG rate schedules (and other current commercial schedules not listed) eligible? (App. A Eligibility §5)

Currently, the VPP Tariff does not include agricultural rates. However, MCE plans to add additional approved rates to the tariff through upcoming board-approval process.

- 6) Can DERs installed under MCE's prior storage and VPP pilots, including the Richmond pilot, enroll as Existing Integrated or Program Transition participants, including commercial and public-sector sites (Tier 2 is residential only)? Does a developer earn P4P for existing DERs it brings into the Program? (§II; App. C Tier 2; Att. 2)

DERs installed during the VPP pilot are already enrolled in the program and therefore cannot be reenrolled. However, DERs installed under MCE's prior programs are eligible to enroll, provided they are not already in another aggregation. MCE is working to enroll prior stage sites in our revised VPP Agreements.

Yes, existing sites that can connect to MCE's eDERMS platform using OpenADR communication protocols are eligible for developer performance-based payments. However, MCE's upcoming aggregator solicitation (projected to be released in Q1 2027) may be the better fit for developers with portfolios of existing projects in MCE's service territory. In MCE's VPP FLEX project context, developers will enroll individual project sites that are monitored and dispatched by MCE's eDERMS platform individually, while aggregators will enroll multiple sites that will be monitored and dispatched by MCE's eDERMS as an aggregation (i.e., not individually).

- 7) For customers currently enrolled in Peak FLEXmarket or another DR program, how should developers evaluate the comparative VPP compensation structure and any transition requirements when determining customer economics?

MCE will coordinate with selected developers to support this process and identify conflicting terms prior to offering a transition to the VPP.

- 8) Does MCE anticipate any transition mechanism for customers with existing contractual obligations to third-party aggregators, or should developers incorporate those obligations independently into project economics?

Customers with existing contractual obligations with third parties are generally not eligible for dual enrollment with MCE's VPP. These customers would need to evaluate the benefits/costs of departing any existing contracts and unenrolling in any third-party aggregations prior to joining MCE's VPP.

- 9) Does the restriction on "behind-the-meter DER aggregations" apply to state-level capital incentive programs that are not market-based aggregations, such as the Self-Generation Incentive Program (SGIP) or the Equity Resiliency Budget?

All existing system constraints and use cases, such as enrollment in conflicting aggregations, charging and discharge obligations, or other applicable load modification schedules or requirements, will be considered during the creation of an annual estimate of value. Dual enrollment in CAISO market integrated aggregations is prohibited, and this includes all SGIP-approved DR programs (incl., Capacity Bidding Program, Peak Day Pricing, SmartRate, and Automated Response Technology).

- 10) Can a project participate in the VPP Tariff while also receiving SGIP, federal tax credits, or other state incentives?

Participation is restricted to projects that do not have a conflicting aggregation requirements, including enrollment in third-party administered demand response programs such as V2X, Demand Side Grid Support (DSGS), SGIP-approved Demand Response programs (see response to Question 9), and other CAISO market-integrated programs or aggregations. Federal tax credits are not a conflict. When considering eligibility, MCE will support review for conflict.

- 11) Does the prohibition on participating in other demand response programs or aggregations extend to CAISO wholesale participation outside MCE's aggregation, or to on-site resilience use?

Sites enrolled in separate CAISO market Aggregations are not eligible. Resiliency is not considered a conflicting third-party program, and resiliency needs such as desired state of charge for resiliency power (i.e., reserve settings) can be defined at the time of estimation of value during proposal development for each prospective project site.

12) Do tax credits count as "other funding" under the [VPPA] §12.e cap on project funding?

No.

13) Is the MCE VPP compatible with the CAISO/CEC Emergency Load Reduction Program (ELRP), or does MCE consider ELRP a "third-party program" requiring disenrollment?

MCE's understanding is that our VPP program is compatible with the Emergency Load Reduction Program (ELRP), and that the dual enrollment prohibition was waived for ELRP. However, as the Demand Response Provider (DRP) responsible for managing the fleet of assets participating in our market-integrated VPP, MCE will be responsible for managing the enrollment and participation in any/all market-based programs, including the ELRP. Any value earned through participation in the ELRP program will be subject to the value sharing terms and conditions outlined in the executed agreements between MCE and participating customers and developers.

Dates and Contract Terms

14) When does the program start? First on bill credit period?

The program is currently open, and customers can enroll in the tariff and subsequent bill credits.

Monthly bill credits begin when the participants' resources become fully operational, which typically follows a) receipt of permission to operate (for newly installed equipment), or b) MCE's validation of enrollment and communication with the eDERMS (for existing/previously installed and operational equipment).

15) Is the 7 year contract term for both the onsite hosts and the developer?

Yes. Developer terms will match the length of the VPP Agreements with customers, which are set to 5-year terms for residential customers and 7-year terms for commercial and industrial or other non-residential customers. Please see Exhibits A, B, and C (below) for more information on terms.

Funding Sources

- 16) What is the source of CEC funding that MCE references in the RFQ? What are MCE's key criteria or objectives for providing grant funding to projects? What is the magnitude of funding available for an individual project?

MCE's funding is sourced from the California Energy Commission's GFO-23-309 - Virtual Power Plant Approaches for Demand Flexibility (VPP-FLEX) grant.

This budget is limited and should not be considered a substantial contributor to project economics. MCE will make it available on a case-by case basis to support incremental costs that result in additional VPP value. Examples of supported incremental costs could include providing enhanced hardware that is able to transmit meter or telemetry data, or otherwise improve monitoring, control, or dispatch certainty.

- 17) Is there any further information or guidance on the "grant funding" mentioned on the call and in the program materials?

Please refer to the response to Question 16.

- 18) Does the "Available Funding" described in Section 12 include access to the \$6M MCE Resiliency Fund, or is that fund managed through a separate application process?

No, the MCE resiliency fund is separate from this program's budget.

Intellectual Property

- 19) As drafted, MCE owns all intellectual property developed under the agreement, including pre-existing materials that are modified. Will MCE agree to carve out the developer's proprietary software, energy management system, control algorithms, and integration code, and take a license to them instead?

Developers may identify proprietary pre-existing technology and are invited to request carve-outs or alternative licensing structures by providing redlines to MCE's included standard form. MCE will evaluate such requests on a case-by-case basis, subject to the requirements of the CEC Grant Agreement and Program objectives.

Customer Tariffs and Assignments

- 20) Under what conditions will residential energy storage systems be incentivized and to what level?

Residential customers with qualified energy storage systems are currently able to enroll in the VPP Tariff and are compensated at \$10/month or \$15/month depending on system size. See the full tariff (RFQ 2026-06 Appendix A) for more details.

Pending customer income status, new residential energy storage systems may also receive subsidized loan benefits offered in partnership with the National Energy Improvement Fund (NEIF) outlined in the staff report [here](#).

- 21) What is the anticipated term and review mechanism for the \$0.11/kWh performance payment, and should developers assume that compensation may be modified during the term of a long-term customer agreement?

Please refer to the provided VPP Tariffs (RFQ 2026-06 Appendix A) including the CMAP and RMAP. These have a 5- and 7-year term. Additional information on calculation, estimates, and true-ups is available in the provided tariff information.

MCE reserves the right to update program design parameters, including incentive rates, tariff structures, performance standards, and payment terms during the project implementation timeline, based on measurement and verification of project economics and performance, changes to market rules or regulations, or other factors. However, payment terms will not be modified on any agreement between MCE and participating customers or developers during the term of an executed agreement without mutual consent from all parties (incl., MCE, the participating customer, and the developer).

- 22) If the Developer is the customer of record for MCE, are they eligible to receive compensation through both the value-sharing framework for developers and the VPP Tariff for customers?

Yes.

- 23) Can an asset owned by the developer or a third party (under a lease, PPA, or energy-as-a-service structure) be enrolled with the host customer as the Participant?

This arrangement is eligible for program participation. However, bill credits are not assignable to a third-party asset owner but will appear through our tariffs on the

customer bill. The value-sharing formula which describes VPP Partner payments is provided in the response to Question 33.

24) Can on-bill credits be assigned to the developer/ DER asset owner?

The on-bill customer credits and developer incentives are separate value streams. The customer earns the RMAP/CMAP while developers are entitled to 20% of net value generated from participating assets. MCE is not assigning the CMAP or RMAP credits from the VPP Tariff to developers at this time.

25) Under a RaaS model where the Developer owns and maintains the assets, will MCE allow the Commercial Monthly Advanced Payment (CMAP) to be paid directly to the Developer to offset the customer's service fee, or must all credits stay on the customer's utility bill?

Please refer to the response to Question 24.

26) May developers assign or pledge P4P receivables to a financier, and may customers designate the developer or a financier as Payee for CMAP/RMAP bill credits under an EaaS or PPA structure? What criteria govern MCE approval? (§V p.11; App. C §E–G) bill credits and performance payments be assigned to the developer or a financier as Payee?

Please refer to the response to Question 24. Developer performance payments can be assigned, provided that load modification continues and MCE maintains the ability to communicate event signals.

27) Can bill credits and performance payments be assigned to the developer or a financier as Payee?

Please refer to the responses to Questions 24 and 26.

28) Are the CMAP caps (\$300/month commercial; \$750/month industrial) applied per account, per site, or per DER? Do the caps also limit the value credited toward the developer's share? Will MCE consider higher caps for larger C&I and public-sector projects? (App. A, CMAP)

CMAP caps are caps on estimated payments to customers, disbursed monthly per site. The true-up at the end of the year is unlimited based on actual measured load

modification outcomes. The CMAP caps do not limit the value credited toward the developer's share.

MCE may make adjustments to program design parameters (i.e., CMAP caps) to improve overall program performance during the project implementation timeline.

MCE intends to develop a Dynamic VPP Tariff during the VPP FLEX project timeline. The Dynamic VPP Tariff will not have a flat price (i.e., \$0.11/kWh), but rather the price will fluctuate and reflect the market price during event windows, and participants will be able to opt-in or opt-out of events and set price thresholds. MCE and the project team anticipate that the Dynamic VPP Tariff will likely be more compelling in some circumstances (including in managed charging, large commercial, and industrial project settings, etc.).

- 29) The Commercial Monthly Advanced Payment (CMAP) is capped at \$300/month for commercial customers and \$750/month for industrial customers. Do these caps also limit the annual \$0.11/kWh performance payment and the Program Year True-Up? (See Appendix A; Worksheet A, Tier 3)

No, the annual true-up payment is not capped. The customer will receive an annual true-up equal to the actual performance payment calculated at \$0.11/kWh, less any estimated payments previously made to the customer during the calendar year.

- 30) For customers with multi-MW peak demand, is there an alternative or uncapped compensation structure? (See Appendix A; Worksheet A, Tier 3)

Please see the response to Question 29.

- 31) Given that customers may disenroll at any time, does MCE offer any protection for financed assets, such as developer consent, termination payments, or re-enrollment at a new site or with a new host?

First year estimated payments are not subject to underperformance penalties. However, if a customer no longer participates, and load events are no longer delivered, ongoing payment will not be guaranteed or made by MCE.

VPP Partner Payment Calculation

- 32) What is the funding source for developer P4P payments, and what is the end date of the VPP FLEX grant (CEC Grant Agreement EPC-24-040)? Will P4P payments for enrolled projects continue for their full 5-/7-year terms if the grant ends or is

reduced, or if the developer agreement is terminated (App. F §12.4)? (§III p.6; App. F §2, §12)

CEC dollars backstop P4P payments during the grant period. The grant is anticipated to conclude in 2030, after which MCE will back payments with market revenues and value derived from out-of-market optimization of the aggregation. A major goal of VPP FLEX is to establish a financially self-sufficient model that operates independently of grant funds. Except in cases where the developer or customer agreement is terminated, payments will continue after the grant ends.

33) How is net value calculated in the value sharing framework? And how much of the net value will be shared with the Developer? Could you please provide formulas and examples?

The proposed value-sharing framework may be found in the Exhibit B: Payment Terms (draft, included below). For the purposes of Year 1 payment calculations, Total Value is defined as the product of the VPP Partner's cumulative Verified Load Modification from each participating site and the independently verified value derived from those sites. Total Value, less the Customer Payment (as offered through the VPP Tariff), constitutes Net Value (or net value of assets). The VPP Partner Payment is the product of this Net Value and a contracted Partner Allocation Percentage (20%). This share is not capped at a fixed dollar amount. This value-sharing framework is expressed in the following formulas:

Total Value = Partner Verified Load Modification (kWh) x Value derived from VPP Partner sites

Net Value = Total Value – Customer Payment

VPP Partner Payment = Net Value x Partner Allocation Percentage (20%)

Where:

- Partner Verified Load Modification (kWh) is the actual measured load modification (kWh) attributable to the VPP Partner's enrolled assets, as verified by MCE's independent Measurement and Verification ("M&V") Provider;
- Value derived from VPP Partner sites is based on measured and delivered load flexibility provided in response to MCE events, where value includes both

revenues from market participation and avoided costs, as determined by MCE's independent M&V Provider;

- The Customer Payment amount is distinct from any payments to VPP Partners and shall be as defined in the customer's Virtual Power Plant Agreement (VPPA); and
- The VPP Partner Payment represents the total annual payment amount to be allocated to the VPP Partner.

MCE seeks to share the value generated from the VPP program fairly and transparently with the many who contribute to the creation of that value, including participating customers and site hosts, the scheduling agent, the retail billing agent, the eDERMS operator, and MCE as the Demand Response Provider (DRP). MCE believes this value-sharing framework has the potential to represent a significant value stream and meaningful value sharing agreement for all VPP Partners, including developers.

The 20% developer share is fixed for the 5- or 7-year term. Please note that more dynamic and performance-aligned compensation structures, including "higher-reward, higher-risk" tiers, will be introduced in subsequent program years. In such cases, developers will be empowered to either extend their current terms or migrate to new terms and/or tiers as they become available.

34) How is the Annual Net Value of Assets calculated?

Please see the response to Question 33.

35) What is the basis for the 20% P4P revenue share for developers? Unless there is an incentive we would expect a higher share for the owner of the asset that is generating the revenue.

Please see the response to Question 33.

36) Please define the "net value" used to calculate the developer's 20% share (Section III, Figure 1).

Please see the response to Question 33.

37) Which costs are deducted before value is shared?

Please see the response to Question 33.

38) Please confirm Developers receive 20% of asset value generated in the VPP as long as that asset is enrolled in the program regardless of ownership of the asset. Please clarify with respect to ownership, service contracts, etc.

Please see the responses to Questions 24, 26, and 33.

39) Does the 20% share stay the same after the first program year, and is it capped per project or per developer? For battery storage, will load shift be measured using DER telemetry, a meter-based baseline, or both, and when will the M&V plan be published?

Please refer to the response to Question 33. Load shift measurement will include both meter data and telemetry data. The M&V plan is anticipated to be finalized in Q1 2027.

40) Please define “net value” in the value-sharing formula. Which value streams are included (e.g., CAISO energy and ancillary services, avoided Resource Adequacy, avoided energy procurement), how are avoided costs priced, and which costs are deducted before the 20% developer share? The webinar noted that Lawrence Berkeley National Laboratory is supporting valuation and economic dispatch strategy; will that valuation methodology and its key inputs be shared with qualified developers? A worked numeric example for a representative commercial battery project would be very helpful. (§III p.4, Figure 1)

Please refer to the response to Question 33 for the definition of net value.

MCE and the VPP FLEX team will coordinate with selected developers to establish an estimated load-flexibility schedule (or “Dispatch Profile”) and associated value estimate for each participating customer site at the time of enrollment. This initial value estimate is calculated based on a combination of market forecast data, data from MCE’s procurement positions, site-specific load profiles, and data provided by the developer (i.e., equipment specifications and setpoints). Daily events are anticipated, which add up to annual value estimates. Customers then receive estimated payments for year one through the tariff with an end of year true-up.

Developers with a value sharing agreement also receive monthly estimated payments, with an annual true-up. Estimate payments are discounted to 33% of total value in the first year, 50% in the subsequent year, and participants will have the opportunity to transition to dynamic tariffs once more market confidence is established from actual operations of the VPP aggregation.

- 41) Which revenue streams are included [in the definition of net value] (CAISO energy, ancillary services, resource adequacy or avoided RA procurement, other avoided costs) and [please define] how each is valued?

See response to Question 33.

- 42) Please clarify developer payment mechanics: (a) the proxy \$/kWh used for monthly estimated payments; (b) whether the 20% developer share is fixed for the full 5-/7-year project term or only the first Program Year; and (c) how estimated payments exceeding verified compensation are treated after Year 1 (offset, repayment, or forgiveness). (§III p.4–5)

Response to (a): The proxy value used to establish the monthly estimated payments to developers will be \$0.11/kWh, which will be applied to the projected amount of load shift from each project during proposal development stage. It is important to note that the annual true-up payment to developers will use the verified value accrued by MCE from the measured load flexibility delivered to the eDERMS during the calendar year (incl., market participation revenues and MCE cost savings).

Response to (b): Please refer to the response to Question 33.

Response to (c): If estimated payments exceed actual measured performance in year 1, there is no penalty or clawback. However, significant underperformance in any calendar year will be reviewed by MCE during annual M&V processes, and may lead to a recalculation (*i.e.*, reduction) of subsequent monthly advance payments to both customer site hosts and developer. If no measurable and verifiable load modification is demonstrated by a given site in any year during the agreement term, estimated monthly payments to the site host and developer will cease and the agreements associated with the non-performing sites may be terminated.

- 43) [Please define] the "proxy dollar amount per kWh" used for monthly estimated payments.

See response to Question 42.

- 44) Understanding that the potential P4P revenue is uncertain and that any estimate is non-binding, can you share the expected net revenue that you've used in your own planning scenarios for this program? A range is fine. \$/kW or \$/kWh, whichever is most appropriate.

Total annual compensation for selected developers will be based on measured and verified performance and value generated during each calendar year, including MCE cost savings from non-market integrated use cases and revenue generated through CAISO market participation. A primary goal for MCE's VPP FLEX project is to demonstrate cost-effectiveness through measured and verified value generation and a return on investment (ROI). To meet this ROI goal, the project team estimates that MCE's VPP must generate approximately \$135 per kilowatt year (kW_y) on average from participating assets, including MCE cost savings and market participation revenues combined. To achieve this, MCE intends to utilize an economic dispatch framework and strategic dispatch of the fleet throughout the year.

It is important to note that MCE plans no penalties for underperformance during the first program year, which means that developers will keep the estimated monthly payments paid even if any given sites do not meet their performance targets established at the time of registration. The annual true-up mechanism is also meant to provide full value if performance exceeds initial annual performance targets. See attachment B. Payment Terms and Attachment C. Value sharing worksheets for more details.

Load Shift Calculations

- 45) What are the MCE assigned Estimated Annual kWh of Load Shift amounts for proposed installations? How is it calculated? Is it based on a daily/monthly/annual average or a cumulative value of total kWhs flexed?

MCE and the VPP FLEX team will work with the selected developers during the proposal development phase for each individual project to establish an appropriate annual dispatch schedule (8760 format) and associated estimate of annual value generation for each participating customer site.

This estimate will be calculated transparently in coordination with the selected developers, and it will be based on a combination of proposed device and equipment specifications and limitations, CAISO market forecast data, data from MCE's procurement positions, critical site needs and preferences, and site-specific

historical load profiles A combination of daily load shaping and CAISO market participation events are anticipated throughout the year.

- 46) How is the Actual Verified kWh of Load Shift calculated? Can the load be reduced beyond 0 and export? If we can export will those kWhs be valued differently? Will developers get visibility into the valuation of the rev share? When would that value be disclosed in the project dev cycle?

As a registered Demand Response Provider (DRP), MCE intends to utilize CAISO-accepted performance evaluation methodologies (PEMs) for Proxy Demand Resources (PDRs) to measure and verify actual performance for all market participation events. This could include day-matching, weather-matching, control group, meter generator output (MGO), and others as appropriate for the purposes of settlement with the ISO. The CAISO-accepted PEMs do not currently value exports for market participation and settlement purposes, which means that developers will not receive compensation for exports during CAISO market participation events. For all non-market integrated use cases generating value through active load shaping for cost savings purposes (*i.e.*, not for revenue generation), MCE intends to use a transparent, third-party validated control group methodology to measure and verify performance. For these out-of-market load modification use cases, MCE will value exports based on procurement costs during the time of export. In sum, if there are exports during non-market integrated use cases that produce value (*i.e.*, procurement cost savings) for MCE, developers will receive compensation for exports during non-market integrated dispatch events.

- 47) What specific baseline methodology will MCE utilize to measure load flexibility shift for Industrial (C&I) customers? Will it follow the standard CAISO 10-in-10 model, or a custom weather-normalized baseline?

MCE anticipates using a combination of performance evaluation methodologies (PEMs) to develop baselines and measure load flexibility delivered to the system. This could include day matching, weather matching, meter generator output (MGO), and control group methodologies. For all CAISO market participation events, MCE will select the most suitable methodology for each PDR aggregation from the list of CAISO-approved PEMs. For all non-market participation events, MCE intends to use an advanced control group methodology that captures maximum value for all stakeholders. All of the methodologies and baselining and counterfactual calculations will be made transparent to the selected developers, and all

calculations will be validated by an independent third-party Measurement and Verification provider.

Participation and Compensation

- 48) Will there be any limitations on participation or compensation for exporting resources (and specifically non-NEM exporting resources such as V2G)? For example, will CAISO market rules limit participation to be based on load reductions only (*i.e.*, no compensation for exported power)?

As a registered Demand Response Provider (DRP), MCE is forming and operating Proxy Demand Resources (PDR) for the purposes of CAISO market participation. As such, MCE must operate all market-integrated PDRs within the rules and regulations governing CAISO market operations and follow approved procedures for performance evaluation and settlement. The current market rules do not allow compensation for exports on participating accounts within a PDR during scheduled DR event windows.

It is important to note that MCE and the project team will also be seeking opportunities to create measurable and verifiable value from out-of-market load modification strategies to maximize total VPP value creation each year. These out-of-market dispatches are not subject to the PDR export limitation and are expected to reduce customer bills and MCE procurement costs. Contracted Developers will receive P4P compensation for those dispatches, based on the measured and verified value generated (incl., MCE procurement cost and customer bill savings).

- 49) Will non-NEM exporting resources (*e.g.*, V2G) receive any additional compensation above the \$0.11/kWh for exported energy (which may be insufficient to cover the cost to recharge a battery)?

No. Developers should consider their full business model for EV charging when considering market participation, including managed charging, charging fees, and anticipated utilization. MCE does not anticipate market value alone sufficient to recover capital costs but views it as an important and ongoing value supplement.

Please note that MCE intends to develop a Dynamic VPP Tariff during the VPP FLEX project timeline, which may be more suitable and attractive in a managed EV charging scenario. The Dynamic VPP Tariff will not have a flat price (*i.e.*, \$0.11/kWh), but rather the price will fluctuate and reflect the market price during event windows, and participants will be able to select which events to participate within and

possibly even set price thresholds. MCE and the project team anticipate that the Dynamic VPP Tariff will likely be more compelling and appropriate in some circumstances (including in managed charging, large commercial, and industrial project settings, etc.)

50) Will there be a minimum number of events, hours, or other basis to provide a minimum expected level of compensation?

Selected developers will coordinate with MCE and the project team to establish an estimate of annual performance for each individual commercial and industrial project. This will provide the basis for the monthly advance payments to both the site host customer and the Developer. These monthly advance payments represent the minimum compensation level for all projects that perform as expected. Prospective participants will receive an estimate of annual value for year one program enrollment.

If projects do not meet their expected performance thresholds in the initial 12-month performance period, there will be no financial penalty enforced (*i.e.*, clawback). However, significant underperformance in any calendar year will be reviewed by MCE during annual M&V processes, and may lead to a recalculation (*i.e.*, reduction) of subsequent monthly advance payments.

The use of monthly estimated payments coupled with annual true-up payments is intended to help MCE manage system performance and market risk exposures during early stages of VPP program implementation, while still offering a reliable value proposition to participating customers and VPP Partners, including developers.

Dispatch Strategy

51) Will there be any constraints on the time of day, frequency, or duration of events to ensure that enrolled DER can effectively prioritize customer and business needs?

Selected developers will coordinate with MCE and the project team during the proposal development and customer acquisition stage to determine an appropriate dispatch strategy for each individual project, which will directly impact that initial estimate of annual project performance and related monthly estimated payments. The resulting dispatch profile for each project will account for equipment specifications and constraints, daily schedules and customer behavior preferences, features like resilience (*i.e.*, reserve state of charge settings for energy storage

systems), and other factors noted by the developer when establishing the initial annual performance estimates for the project. In sum, the selected developers will determine the constraints for each project, but such constraints will directly affect the annual value creation for all parties.

- 52) Will MCE's DERMS-VPP dispatch protocols, rules, controls take first position on the operation of the energy assets? We'd assume that the highest value capacity for MCE will align well with the most expensive TOU on the host side, but not always. In the case of a BESS, is there an expectation or requirement that the capacity will be available for MCE dispatch 100% of the time, or will the BESS operate under a site load optimization strategy, responding to real time site level demand and consumption, if we've not received any signal or notification from MCE for that day? We're trying to figure out how to model the host/site level economics, so understanding how the MCE dispatch strategy will impact the site level optimization is key.

MCE's load-shifting needs will often, though not always, align with the host site's TOU windows. MCE's goal is to create maximum value for all stakeholders through the VPP, and MCE anticipates finding opportunities for value creation in different parts of the day (e.g., morning peak load reduction in the shoulder months).

Developers and site hosts are not required to dedicate 100% of BESS capacity to the VPP program. The VPP program has been designed with the flexibility to accommodate typical site optimization strategies, including commercial and industrial demand limiting, reserve capacity settings, periodic event opt-outs, and other critical site needs. For example, 80% of BESS capacity could be allocated to the VPP program while 20% is retained in reserves for resiliency purposes.

In this example, only the 80% allocated to MCE's VPP program would be included in the estimated annual project performance calculation that determines the estimated monthly payment amounts for the developer and the site host. Furthermore, the annual value generated by the site's actual verified participation in the VPP program would also be impacted by the 20% reserve margin.

In your proposal, please identify your proposed allocations, planned optimization strategies, and any operating constraints associated with your proposed approach so we can understand how your site optimization strategy would work alongside MCE dispatch.

53) For customers on demand-charge rates (B-10, B-19, B-20), how will MCE dispatch avoid creating new demand peaks, and who bears any resulting demand-charge increase? Will MCE preserve a minimum state of charge for customer backup and allow event overrides, and how would overrides affect payments? (App. A §11, Special Conditions; VPPPA §16)

MCE and the VPP FLEX team will coordinate with selected developers to establish a planned dispatch schedule and associated value for each participating customer site at the time of enrollment. This value is calculated based on a combination of market forecast data, data from MCE's procurement positions, and individual device and site-specific load profiles. Daily events are anticipated, which add up to monthly, and subsequent annual value estimates.

Customer/site preferences for resiliency reserve, or other uses cases such as demand charge mitigation or solar self-consumption will be considered in the creation of a dispatch schedule. Actual performance is then based on measurement and verification of meter and telemetry data and validated by a third-party M&V provider. MCE views this independent third-party oversight as critical for transparency and supporting the resolution of any customer cases about bill changes and will leverage this third party to validate if new peaks are attributable to VPP activities and events or other on-site load changes. Outcomes of the M&V process will improve long-term outcomes and optimization of the customer load profile to balance cost savings, VPP value creation, and MCE's operational needs.

As this is a performance-based program, skipping events will result in less measured load modification occurring and therefore less overall payment.

54) What dispatch profile should respondents assume for pro formas: expected events per year, event duration, seasonal windows, notification lead time, and maximum cycles per day/year? Will the economic dispatch strategy under development with LBNL be shared before developers commit customers to 5-/7-year terms? (App. A §11; VPPPA §16.b)

The Draft Economic Dispatch Plan developed for the VPP FLEX project is iterative and be informed by the measured and verified annual performance of the VPP. MCE intends to evaluate a range of dispatch and market participation strategies and update the Economic Dispatch Plan annually to improve overall performance. The first iteration of the Economic Dispatch Plan will be made available to selected

developers in Q4 of 2026, and subsequent iterations will be provided when they are available.

MCE and the VPP FLEX team will establish an estimated load-flexibility schedule, or load profile, and associated value for each prospective customer site at the time of enrollment. This value is calculated based on a combination of market forecast data, data from MCE's procurement positions, and individual device and site-specific load profiles. Daily events are anticipated, which add up to monthly, and subsequent annual value estimates. Customers then receive estimated payments for year one through the tariff with an end of year true-up. Developers with a value sharing agreement also receive monthly estimated payments, with an annual true-up. Estimate payments are discounted to 33% of total value in the first year, 50% in the subsequent year, and participants will have the opportunity to transition to dynamic tariffs once more market confidence is established from actual operations of the VPP aggregation.

- 55) Please specify: (1) The maximum number, duration, and time windows of dispatch events; (2) How much advance notice MCE will provide; (3) Any minimum state of charge reserved for the customer; and (4) Whether customers can override or opt out of individual events. (Appendix A §11; VPPPA §16)

MCE and the project team will coordinate with selected developers to establish an appropriate dispatch strategy and boundaries for each individual project during the proposal development phase, which will a) govern how MCE's eDERMS can dispatch assets at each project site, and b) directly impact the potential value generation for each project site, which will in-turn c) affect the estimated monthly payments to developers and bill credits to participating customers.

During the proposal development process, developers can work with the site host determine the boundaries for dispatch on a site-by-site basis, including items such as reserve margins (i.e., minimum state of charge reserved for the customer), demand limits, charging schedules for batteries, blackout periods, number of event opt-outs allowed annually, etc. and these constraints will be reflected in the project proposal documents (incl., estimated monthly bill credit amounts), and ultimately codified into the developer and customer agreements executed by MCE for each participating site. This applies equally to new project development and existing projects in a developer's portfolio that may consider enrolling in MCE's VPP program, as we anticipate proposals being developed for all potential sites.

MCE VPP Tariff compensates participating commercial and industrial customers \$0.11/kWh of measured and verified load flexibility delivered to MCE's VPP. This was designed to allow MCE to dispatch participating assets frequently. MCE will be working to evaluate a range of dispatch strategies using this flat VPP Tariff design to determine an optimal approach that produces maximum value for all stakeholders.

MCE intends to develop a dynamic VPP Tariff which will have a different design intended to work well for customers that want fewer dispatches, greater flexibility (i.e., pre-event notification, ability to opt-in/opt-out of events in the day ahead, etc.), and may include higher prices paid per kilowatt hour delivered. The dynamic VPP Tariff will also likely include some form of penalty for underperformance, creating the potential for a higher-risk and higher-reward scenario for customers who want that opportunity. MCE intends to allow participating customers to migrate to new VPP Tariffs as they become available.

CAISO Market Registration and Roles

56) Will MCE serve as the Scheduling Coordinator and Demand Response Provider for all enrolled capacity, or are Developers expected to hold their own CAISO market registrations?

MCE will serve as both Scheduling Coordinator (SC) and the Demand Response Provider (DRP). We are not expecting developers to act in this capacity.

57) Attachment 1, Section I.3 asks respondents to affirm that aggregations they develop "will be owned and operated by MCE." Can the developer's platform serve as the VEN and retain site-level control outside MCE dispatch windows, while MCE retains its dispatch rights and remains the Scheduling Coordinator and Demand Response Provider?

Yes.

Technical Integration and Performance

58) The RFQ references OpenADR integration with MCE's eDERMS as the dispatch mechanism. We want to make sure we understand the full signal chain. Will Developers and OEMs ultimately be receiving and responding to CAISO market signals directly, or will MCE's eDERMS translate those wholesale signals into OpenADR instructions on our end?

MCE will translate CAISO market signals into OpenADR 3.x payloads or “events,” and selected developers will receive and respond to MCE’s signals and instructions directly from MCE’s eDERMS platform through bidirectional OpenADR communications

59) The RFQ references support for OpenADR 3.x. Is 3.x certification a mandatory requirement for qualification at the time of the October 18th submission, or will MCE qualify developers with 2.0b certified systems and a documented roadmap to 3.0?

MCE will qualify developers with 2.0b certified systems and a documented roadmap to 3.x for contracting purposes. However, MCE’s eDERMS requires OpenADR 3.x communications (between the Virtual Top Node/VTN and Virtual End Nodes/VENs). This means that all VENs must have an OpenADR 3.x certification prior to production and commencement of any estimated monthly payments. MCE and the project team—including the OpenADR Alliance—will provide technical support and assistance achieving 3.x certification.

60) Is the "MCE DERMS OPEN ADR DERMS Integration Guide" (Appendix D) available for developer review prior to the October 18th submission deadline?

Yes, this document was published in the solicitation materials, see Appendix D.

61) Can assets already integrated into the eDERMS using OpenADR 2.0b, or integrated using OpenADR 2.0b prior to availability of the OpenADR 3.0 integration, continue to operate on that basis or will the integration need to be updated?

Existing DERs integrated with the eDERMS using OpenADR 2.0b can continue operating through those integrations; an upgrade is not required for continued operation.

We plan to expand the payloads in our OpenADR 3.0 implementation to provide greater insight into asset operations and support forecasting and M&V. These additional payloads will not be added to OpenADR 2.0b. For new DER integrations, our expectation is to use OpenADR 3.0 and support the expanded payloads as they become available.

62) What is the expected timeline for OpenADR 3.0 implementation?

OpenADR 3.0 is operational in MCE’s eDERMS and available for connection today. Staff plans to work with selected developers, aggregators, OEMs, and their suppliers

to develop additional payloads that support forecasting and measurement and verification (M&V). The next release of our OpenADR 3.0 implementation will be developed collaboratively with those partners, with scope and timing informed by that work.

Application Process

63) To address confidentiality concerns regarding sensitive financial information (i.e., balance sheet, income statement), would MCE be willing to do one or both of the following: (1) sign a NDA prior to respondents sharing this information, or (2) wait until after a respondent has cleared other selection criteria / stage-gates to require that this information be provided.

Please see section IX (GENERAL TERMS AND CONDITIONS) within the solicitation.

64) Is the RFQ document missing Appendix E?

Yes. This has been uploaded to the solicitation page on MCE's website.

65) The RFQ refers to Appendix E (Developer Qualification Requirements), but it isn't included in the packet. Can MCE provide it?

Please refer to the response to Question 64.

66) For an entity comprised of newly merged affiliates, can such a respondent meet the minimum qualifications (3 years in operation and 3 completed California projects) using the experience of its parent company or affiliates?

If submitting qualifications of the parent company or affiliates, clearly indicate how the staff or resources of said entity will support the anticipated VPP projects. Do not submit qualifications of the parent company if the team or resources of that parent company are not expected to materially support the development of VPP sites.

67) Does "completed or financially closed" include front-of-meter or utility-scale storage projects where the respondent was the developer, owner, or financier?

Yes.

68) Can the respondent submit consolidated parent-company financial statements instead of, or in addition to, its own income statement and balance sheet?

We would prefer the respondent company's own financial statements, but if those can't be produced then the parent company's financials will be accepted.

69) Appendix F describes the contractor as providing "measurement and verification services," and Exhibits A and B aren't attached. Will MCE issue the developer version of the agreement, including the scope and compensation exhibits, before the October 18 deadline so respondents can prepare redlines?

Appendix F incorrectly referenced measurement and verification services in a recital; however, the contract terms will mirror the terms in the developer(s) agreements. Additionally, MCE is attaching example exhibits that highlight anticipated requirements for developers. Exhibit A ("SOW") Exhibits B ("Payment Terms") and C ("Value-Sharing Worksheet") (in draft forms) at the bottom of this document.

70) Table 2 [Section VIII] recommends that firms controlling a portfolio of DERs through a single Virtual End Node (VEN) apply through the Aggregator pathway, which is not expected to open until April 2027. Should a developer that manages multiple customer sites through its own energy management platform, using a single VEN, apply now through the Developer pathway, or wait for the Aggregator solicitation?

If your firm plans to deploy any new equipment and wants to benefit from MCE's lead development and outreach support, apply to this solicitation. If you only want to bring existing equipment, wait for the aggregator solicitation, anticipated to be released in Spring 2027. Firms are encouraged to apply to both, as applicable.

71) If a firm qualifies as a Developer now, can it later move to or add the Aggregator role without requalifying? In the meantime, can it enroll projects using a single VEN for multiple sites, or does each site need its own VEN?

Requalifying as an aggregator may be needed. However, contractual terms and value sharing terms will be similar. See the answer to question 70.

72) Is a project "subject to MCE's CEC Agreement," and therefore a public work, solely because the customer enrolls in the VPP or because P4P or bill credits are paid from CEC funds, even without an installation grant? Does Exhibit C of Appendix F apply to

all developer projects, including residential installations? (§V p.11; App. F Exh. C; Att. 1 §H)

Since developer projects involve the construction and installation of distributed energy resources and related equipment funded in part through a CEC grant, MCE anticipates that all developer projects will be subject to prevailing wage requirements. Accordingly, Exhibit C of Appendix F applies to all developer projects, and respondents should price their proposals accordingly.

EXHIBIT A
SCOPE OF SERVICES (DRAFT)

1. ROLE OF DEVELOPER:

Developer agrees to:

- (a) Support customers through assessment, procurement, installation, and commissioning of facility upgrades that result in subsequent VPP enrollment by performing the following tasks:
 - a. Supporting customer acquisition and, where applicable, enrollment of projects currently under development or which have been completed;
 - b. Conducting site assessments and feasibility reporting to identify deployment opportunities;
 - c. Creating integrated DER solutions capable of responding to MCE dispatch signals;
 - d. Designing approaches that reduce financial and technical barriers to participation and maximize aggregate flexible capacity;
 - e. Aligning project economics with MCE's value-sharing and P4P frameworks;
 - f. Creating proposals and pro formas that outline financial performance;
 - g. Managing construction and installation permitting processes;
 - h. Coordinating with PG&E for interconnection and approval, including final Commission and Permission to Operate (PTO) where applicable;
 - i. Supporting customer enrollment into MCE's VPP Tariff and Agreement;
 - j. Selecting equipment for installation that is has attained OpenADR 3.0 certification or will support alternative integration pathways for device dispatch or control with MCE's eDERMS;
 - k. Providing ongoing asset management programs (AMPS), maintenance and operations, and performance guarantees for system upgrades/installations; and
 - l. Managing customer communications, dispute resolution, and program representation;
- (b) Provide distributed energy resources ("DER") capable of responding to MCE dispatch instructions by:
 - a. Ensuring that enrolled resources satisfy availability and performance thresholds;
 - b. Maintain cybersecurity practices consistent with industry standards and appropriate to the risks associated with the Services;
 - c. Providing MCE required telemetry and operational data; and
 - d. Reporting performance data (e.g., Settlement Quality Meter Data and telemetry data) to MCE's M&V provider;
- (c) Provide load modification dispatch rights to the MCE VPP program by:
 - a. Providing performance data;
 - b. Aligning projects with MCE's VPP Program, including VPP tariff structures and customer-facing VPP Agreements; and
 - c. Supporting education of site hosts on the VPP Program; and
- (d) Execute all required non-disclosure agreements, confidentiality agreements, data privacy agreements, and comply with MCE's Code of Conduct, customer handling requirements, and applicable federal, state, and local regulatory requirements.

2. ROLE OF MCE:

MCE agrees to:

- (a) Collaborate with Developer in customer targeting, outreach, and engagement by:
 - a. Providing data-driven customer leads;
 - b. Providing, on a case-by-case basis, grant funding for high-value or equity-focused projects, with the understanding that grant-funded projects must comply with California prevailing wage requirements; and
 - c. Supporting program enrollment outreach by attending calls and customer meetings alongside developers;

- (b) Enroll customers through the VPP Agreement and execute VPP Tariff terms;
- (c) Manage the M&V process to validate and conduct performance-based payments; and
- (d) Distribute performance-based compensation to all applicable VPP Partners and to the named Developer following the payment terms described in **Exhibit B** ("Payment Terms").

ADDITIONAL REQUIREMENTS:

Contract Terms are defined as one-year renewable terms during which time the Developer shall be empowered to offer VPP FLEX program enrollment to customers and initiate new enrollments and deployments; and

- (a) Project Terms apply to each project or portfolio, established for 5-years for residential-aligned portfolios and 7-year terms for commercial and industrial-aligned portfolios, such that, during the Project Term, the Developer shall receive compensation amounts as described in this **Exhibit B** ("Payment Terms") and calculated in **Exhibit C** ("Value-Sharing Worksheet") of this Agreement.

Developer shall:

- (a) Maintain active eligibility as an MCE-approved VPP Partner;
- (b) Comply with all technical, telemetry, data, and M&V requirements, including integration with MCE's VPP using OpenADR communication protocols;
- (c) Refrain from implementing changes that materially impair dispatchability or telemetry; and
- (d) Maintain control rights sufficient to enable dispatch and performance measurement of enrolled DERs.

DISPATCH AUTHORITY

- (a) MCE retains sole authority over VPP dispatch for market participation, bidding, scheduling, and settlement.
- (b) Developer agrees not to dispatch DERs in response to other third-party signals for DR market participation or other use cases except as expressly directed by MCE.
- (c) All dispatch instructions shall be issued by MCE through its enterprise-level distributed energy resource management system ("eDERMS") and constitute the authoritative definition of dispatch events.
- (d) Unless otherwise negotiated, customer override rights shall take precedence over dispatch instructions. Any reduction in delivered performance resulting from overrides shall be reflected in M&V outcomes.

TARIFF SEPARATION

Customer participation, bill credits, compensation, and customer rights are governed exclusively by applicable and approved MCE tariffs and VPPAs and are not modified by this Agreement. Compensation payable to Developer under this Agreement shall not reduce, replace, or offset amounts payable to customers under tariffs.

MEASUREMENT AND VERIFICATION

- (a) All performance determinations shall be made by an independent M&V Provider engaged by MCE. M&V results shall be final and binding for settlement purposes and shall be used to calculate Developer compensation as described in **Exhibit B** ("Payment Terms").
- (b) M&V may rely on:
 - a. DERMS dispatch records;
 - b. Telemetry from OEM platforms or aggregators; and
 - c. Utility meter data or Settlement Quality Meter Data, as applicable.

EXHIBIT B
PAYMENT TERMS (DRAFT)

For services provided under this Agreement, MCE shall pay Developer according to the payment terms specified below:

1. **GENERAL COMPENSATION FRAMEWORK:**

- (a) Developer compensation under this Agreement is performance-based, non-tariff, and independent of customer bill credits.
- (b) Developer compensation is not based on a fixed \$/kWh rate, but rather on a proportional allocation of value derived from performance.
- (c) Developer compensation will commence upon the successful enrollment and integration of a completed project into MCE's Virtual Power Plant (VPP). At such time, MCE will establish payment amounts using the worksheet provided in **Exhibit C** ("Value-Sharing Worksheet"). Upon enrollment of each given project in the VPP, or if the Developer migrates to new tiers or terms, an associated **Exhibit C** ("Value-Sharing Worksheet") will be filed as an amendment to this Agreement.

2. **DEFINITION OF VALUE BASIS; VPP PARTNER PAYMENT AMOUNT:**

For the purposes of Year 1 payment calculations, value is allocated to VPP Partners, including Developers, through the formulas provided below. According to this framework, Total Value is defined as the product of the VPP Partner's cumulative Verified Load Modification from each site and the value derived from those sites. Total Value, less the Customer Payment, constitutes Net Value. The VPP Partner Payment is the product of this Net Value and a contracted Partner Allocation Percentage. This value-sharing framework is expressed in the following formulas:

Total Value = Partner Verified Load Modification (kWh) x Value derived from VPP Partner sites

Net Value = Total Value – Customer Payment

VPP Partner Payment = Net Value x Partner Allocation Percentage (20%)

Where:

- (a) Partner Verified Load Modification (kWh) is the actual measured load modification (kWh) attributable to the VPP Partner's enrolled assets, as verified by MCE's independent Measurement and Verification ("M&V") Provider;
- (b) Value derived from VPP Partner sites is based on both revenues from market participation and avoided costs, as determined by MCE's independent M&V Provider;
- (c) The Customer Payment amount shall be as defined in the customer's Virtual Power Plant Agreement (VPPA); and
- (d) The VPP Partner Payment represents the total annual payment amount to be allocated to the VPP Partner.

Furthermore:

- (a) MCE shall not be required to disclose program-wide load modification or value totals to any VPP Partner; and
- (b) MCE shall have sole discretion in determining Total Value, Customer Payments, and Net Value, subject to the M&V process.

3. **YEAR 1 PAYMENT STRUCTURE:**

Compensation shall consist of:

- (a) An Estimated Payment, made based on forecasted performance, disbursed monthly, and defined in Section 4; and
- (b) A one-time End-of-Year True-Up Payment, based on verified load modification (kWh) and realized Net Value, as defined in Section 5.

4. **ESTIMATED PAYMENT:**

4.1 PURPOSE AND NATURE

The Estimated Payment is:

- (a) Forward-looking and provisional;
- (b) A total estimated amount to be disbursed monthly;
- (c) Based on forecasted performance and discounted to reflect uncertainty;
- (d) Intended to provide initial compensation prior to realized performance; and
- (e) Not representative of actual market value or guaranteed earnings.

4.2 CALCULATION

In Year 1, the Estimated Payment shall be calculated as follows. Please note that estimated payment formulas tailored to the Developer named in this contract are provided in **Exhibit C** ("Value-Sharing Worksheet").

Estimated Payment = Proxy \$/kWh x Forecasted Volume x Discount Factor 33%

Where:

- (a) Proxy \$/kWh is an administratively determined provisional value established by MCE;
- (b) Forecasted Volume is the expected load modification (kWh) attributable to Developer's enrolled assets, as determined by MCE or its M&V Provider using approved forecasting methodologies;
- (c) Discount Factor is a constant established at 33% for the first program year, unless otherwise specified; and
- (d) The Estimated Payment will be divided by 12 and disbursed monthly throughout the program year.

4.3 TIMING

Monthly disbursements of the Estimated Payment shall be made within 7 days of the conclusion of each month during the contract period.

5. **END-OF-YEAR TRUE-UP PAYMENT:**

5.1 PURPOSE AND NATURE

The End-of-Year True-Up Payment is:

- (a) An annual reconciliation; and

- (b) Calculated at the end of the Program Year.

5.2 CALCULATION

The End-of-Year True-Up Payment ("True-Up Payment") shall be calculated as follows:

$$\text{True-Up Payment} = \text{VPP Partner Payment Amount} - \text{Estimated Payment}$$

Where:

- (a) Estimated Payment is the total cumulative amount paid to the VPP Partner throughout the program year, comprised of 12 discrete monthly payments;
- (b) If the True-Up Payment is greater than 0, MCE shall pay the difference; and
- (c) If the True-Up Payment is less than 0, no repayment obligation shall apply.

5.3 TIMING

The True-Up Payment shall be made no later than March 31st following the conclusion of the program year.

6. TRANSITION TO YEAR 2 AND SUBSEQUENT YEARS:

Beginning in Year 2:

- (a) Payment methodologies may be recalibrated based on observed performance;
- (b) Historical verified performance shall be used to adjust future forecasts and enrolled capacity;
- (c) Discount factors and estimation approaches may be modified or eliminated;
- (d) More dynamic and performance-aligned compensation structures, including "higher-reward, higher-risk" tiers, may be introduced, and in such cases:
 - a. Developer will be empowered to either extend the current terms or migrate to new terms and/or tiers as they become available; and
- (e) Payment cadence may change.

Any such changes shall be implemented via:

- (a) Amendment to this Exhibit;
- (b) Resubmission of Exhibit C; or
- (c) Execution of a revised commercial terms addendum.

EXHIBIT C

VALUE-SHARING WORKSHEET (DRAFT)

This Worksheet is designed to be completed by MCE to establish the VPP Partner Payment, Estimated Payment, and End-of-Year True-Up Payment calculations unique to the Developer and project named in this Worksheet. This Agreement shall not limit the ability of the Developer to migrate to new tiers and terms as they become available. Distinct Value-Sharing Worksheets shall be submitted for each new project deployment and/or the adoption of new tiers and terms.

Project Information			
Developer Name:		Site Reference Number (UUID or DAXREF):	
Project Number:		Associated VPPA Number:	
Project Term:	☐ 1 Year Program Transition	☐ 5 Years Residential	☐ 7 Years Commercial & Industrial
Start Date:		End Date:	
Project Description (e.g., deployed assets, nameplate capacity, etc.)			

1. VPP PARTNER PAYMENT CALCULATION:

For the purposes of Year 1 payment calculations, the VPP Partner Payment Amount will be calculated as follows:

Total Value = Partner Verified Load Modification (kWh) x Value derived from VPP Partner sites

Total Value – Customer Payment = Net Value

VPP Partner Payment = Net Value x Partner Allocation Percentage (20%)

2. YEAR 1 ESTIMATED PAYMENT CALCULATION:

For the purposes of Year 1 payment calculations, the Estimated Payment shall be calculated as follows:

Estimated Payment = Proxy \$/kWh x Forecasted Volume x Discount Factor 33%

Where the Proxy \$/kWh is an administratively determined provisional value established by MCE in this **Exhibit C** to be \$___/kWh.

First Year Estimated Payment Calculation and Monthly Disbursement Amounts	
Proxy Dollars (\$) per kWh	(a) \$ ___/kWh
Forecasted Volume (kWh)	(b) ___ kWh
Discount Factor	(c) 0.33
First Year Estimated Payment: multiply Lines (a) through (c)	(d) \$ ___
First Year Monthly Disbursement Amount: divide line (d) by 12	(e) \$ ___

3. **YEAR 1 END-OF-YEAR TRUE-UP PAYMENT CALCULATION:**

The End-of-Year True-Up Payment ("True-Up Payment") shall be calculated as follows:

True-Up Payment = VPP Partner Payment Amount – Estimated Payment

Where the Estimated Payment shall be equivalent to line (d) in the table in Section 2: \$.

APPROVED BY

MCE:

By: _____

Title: _____

Date: _____

DEVELOPER:

By: _____

Name: _____

Date: _____