

NIPPC Comments on BPA's May TC-25 Workshop

To: techforum@bpa.gov

Thank you for the opportunity to submit comments.

General Comments:

NIPPC appreciates the efforts of BPA staff to explore reforms to BPA's interconnection processes. The demand for interconnection of new generation in the Pacific Northwest is likely to increase dramatically in the next few years as loads in Oregon and Washington look to comply with their state's clean energy requirements. NIPPC members view BPA's current long interconnection timelines under the existing interconnection model as problematic and agree that reforms are necessary to ensure that new generation development can keep pace with demand in the region. Many NIPPC members have made significant investments to shepherd new generation projects through the existing interconnection process. NIPPC recognizes that while a shift to an interconnection process that is more efficient will likely result in short term disruption of the existing interconnection queue, reforms are still needed. Nevertheless, NIPPC urges BPA to minimize the disruptions to customers that will inevitably occur with the transition to a new interconnection process.

Scalable Block Plans

NIPPC generally supports the concept of scalable block plans for locations with high levels of interconnection customer interests. NIPPC looks forward to reviewing more detailed language describing how BPA will determine that a scalable block plan is appropriate for a location, how BPA will allocate costs within each block, and how BPA will treat project modifications and customer withdrawals within each block.

Time Periods for Customer Action

In earlier comments, NIPPC had suggested shortening time periods to speed up the interconnection study cycle. NIPPC had suggested that BPA could reduce the proposed windows for customers to consider study results and establish eligibility for subsequent phases. BPA, however, asserts 'the only feasible way to reduce the overall process timeline is to reduce customer time.' Commenters, however, have recommended other process efficiencies, including elimination of the redundant short circuit study in Phase 1, when a power flow study would serve the same purpose and reduce the Phase 1 timeline. In consideration of BPA's inability to reduce the study timelines it controls in order to reduce the overall study cycle, NIPPC no longer supports shorter timelines for customers to act between phases of the study cycle.

Incentives or Penalties to Provide Accurate and Timely Results

NIPPC agrees with other commenters who urged BPA to have sufficient staff available to complete studies. NIPPC would like to underscore how critically important for the success of these reforms it will be for BPA to provide accurate study results on specific timelines; NIPPC members are concerned that the cluster study results will not meet the targeted timelines any more than BPA is able to deliver study results on the timelines for the existing serial queue. For the region to have any chance of meeting its clean energy goals as reflected in state laws, BPA must be able to meet its target timelines consistently and with accurate study results. Any delays will impact not only BPA's interconnection customers, but their customers – who must comply with corporate targets or state clean energy laws – as well. Any failure to complete studies on time will not simply delay project commercial operation dates but also may result in failure of loads in the region to meet their clean energy targets.

Accordingly, NIPPC encourages BPA to consider whether there are any incentives BPA could deploy (or penalties that could be imposed) to ensure that BPA staff and management meet the interconnection deadlines. Potential incentives and penalties for delayed or inaccurate study results could include providing customers with a refund of all or a portion of their study costs or allowing customers to withdraw from the cluster and receive their commercial readiness deposits back. NIPPC urges BPA to consider whether there are other incentives or penalties that BPA could impose on itself for failing to meet timelines and that also do not unduly shift study costs to other customers. Ultimately any uncertainty in the timeline for interconnecting a new generation project will lead to contractual uncertainty between the developer and its customer in turn impacting the commercial readiness demonstrations that developers must make as part of these reforms.

NIPPC also recommends that BPA continue to complete studies on the existing serial queue for as long as possible in order to mitigate the impacts to customers who have been in the queue for years and made decisions based on study results they have received.

First-Ready/First-Served

NIPPC supports the staff proposal to implement a two-phase cluster study for interconnections but continues to encourage BPA to look for efficiencies to reduce the overall process timeline.

Application Fee

NIPPC supports the staff proposal to charge interconnection customers a \$10,000 application fee.

Site Control

NIPPC supports the staff proposal to require interconnection customers to demonstrate 100% site control of the project generation site at the time of application.

NIPPC encourages BPA to use this queue reform as an opportunity to codify its approach on site control for projects that are located on federal lands. BPA should clarify whether a government-issued document, such as a Cost Recovery Agreement, proof of a SF299, or a Plan of Development will meet BPA's site control requirements.

Study Deposits

NIPPC supports the staff proposal for deposits requirements at Phase 1 (\$25,000 plus \$500/MW up to \$100,000) and at Phase 2 (\$50,000 plus \$1,000/MW up to \$250,000). NIPPC also supports the proposed requirement to base the Facilities Study deposit on the plan of service identified in the Phase 2 study. Many NIPPC members, however, would support even higher study deposits to reduce even further the number of interconnection requests in the queue. These members believe that increasing the study and milestone deposits would better align with requirements in other markets which have adopted the 'first-ready' concept that guides this queue reform effort.

Interest on Deposits

NIPPC does not support the staff proposal to pay no interest on customer deposits. NIPPC agrees with staff that interest payments to interconnection customers should not impact BPA's broader customer rates; BPA's transmission rates should not collect revenues from its overall transmission customer base to pay interest on interconnection customer deposits.

At the same time, NIPPC also believes that the broader base of BPA transmission customers should not benefit from interconnection customers' deposits. Accordingly, NIPPC encourages BPA to pay interest on interconnection deposits based on the actual interest income BPA receives from keeping those deposits in its cash accounts (NIPPC does assume here that BPA keeps customers' deposits in an interest-bearing account; if BPA does not earn interest on customer deposits, then BPA should revise its internal procedures to ensure that customer deposits do earn interest.). BPA should also allow customers to submit interconnection deposits into an interest-bearing escrow account.

Commercial Readiness

NIPPC supports the proposal to require a demonstration of commercial readiness. NIPPC agrees it is important to provide customers with a deposit option in lieu of a specific demonstration of readiness. NIPPC believes that the specific readiness criteria in the tariff language should be broad enough to reflect the resource procurement processes of all potential load serving entities, including those employed by investor

owned utilities, consumer owned utilities, retail choice energy service providers and large end-use customers.

Network Upgrade Costs

NIPPC encourages BPA to allocate the costs of Network Upgrades based on the proportional impact of each project to the proposed plan of service using distribution factors. The proportional impact model is the industry standard across the major interconnection queues. The distribution factor method assigns upgrade costs by burdening the project with the most impact a larger share of the upgrade costs. This method also encourages generators to find good Points of Interconnection with more headroom; whereas an allocation method based on capacity only encourages smaller applications. Customers can make more informed decisions when they can tie their costs to specific upgrades, rather than to the size of the other generators in that sub-cluster. The proportional capacity method results in projects with lower upgrade costs to subsidize projects with higher interconnection costs.

Accuracy of the estimates of Network Upgrade costs identified in the study results will be critical to the success of these reforms. NIPPC supports allowing customers to withdraw from a cluster without risking their readiness deposits if study costs increase above a certain threshold from one phase to the next. NIPPC encourages BPA to consider additional incentives or penalties to ensure the accuracy of study results, including whether a portion of interconnection cost overruns should be allocated to transmission's overall capital program instead of to the interconnection customers and/or allow the customer to qualify for transmission credits for network upgrade costs that exceed the estimate in BPA's Phase 1 study report.

Study Financials

NIPPC supports the staff proposal for allocation of study costs among participants in the cluster study.

Information Access

NIPPC supports the staff proposal for information access. The most critical component of the proposal is to allow customers to use the Phase 1 study process to identify their likely interconnection costs. NIPPC also anticipates that after several study cycles a well-maintained heat map will provide customers with good, useful information about potential interconnection costs. NIPPC also encourages BPA to make the results of its cluster studies available to developers.

Transition

NIPPC remains concerned about elements of the proposed transition process. NIPPC supports the staff proposals on study deposits and site control. NIPPC, however, continues to believe that the lack of a deposit option for an interconnection customer to

demonstrate commercial readiness for the transition cluster will be unnecessarily disruptive in the near term. NIPPC urges BPA staff to reconsider and allow customers in the current interconnection queue to submit a deposit in lieu of readiness.