NewSun ENERGY

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Via e-mail

Bonneville Power Administration
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techforum@bpa.gov
cc. Eric Taylor
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Re: TC-25 GI Reforms

Dear BPA:

NewSun Energy LLC (NewSun), on behalf of its affiliates, submits these comments to the Bonneville Power Administration (BPA) in response to the BPA workshop regarding potential reforms to its Standard Large Generator Interconnection Procedures (LGIP).

Experience: NewSun's experience includes a primary focus these past 8 years on BPA and PNW focused development and participation in related BPA interconnection, transmission, and other study processes: Across over a dozen interconnection requests with BPA, comprising a few thousand MW of studies completed, this includes all study phases, execution of numerous agreements with BPA in LGIP, SGIP, TSEP, and other processes, including E&Ps, PEA, ESAs, transmission service agreements, data management agreements, as well as GIAs, and the successful construction of multiple BPA new interconnections, featuring BPA's first direct-connected solar (now operational), across numerous counties and parts of the BPA system in Oregon, Washington, and elsewhere, and extensive scoping meetings, study reports, reports review meetings, and other consultations and work with numerous BPA engineering, policy, analytical, and administrative staff, and other customers.

We appreciate BPA staff and management's focus and intention to bring about improvements to the interconnection process, as well as the opportunity to comment and leverage our positive experiences, learnings, observations, as well as challenges and areas identified as strengths to be leveraged moving forward into the PNW's decarbonized future, a future in which interconnection and transmission will be critical, and thus BPA's role as well. Thank you for the opportunity to make prior presentations and incorporate comments here, as well as your support and efforts across your organization, now and in prior years.

Focus of these comments: These comments focus on recommended revisions to Staff's Revised Initial Leanings to maximize functional outcomes, resulting success, and fully leverage unique aspects and practices of BPA.

They also document certain areas of concern that have not been addressed yet, including provisions with risks of unnecessarily creating market supply and competition distortions and/or

IC behaviors (driven by certain rules, if not corrected) that would undermine the overall objectives of BPA's GI reform and/or create risks of discriminatory advantages for certain players (particularly IOU LSEs and big-balance-sheet IPP only); fail to leverage full extent certain BPA areas of excellence (and differentiation from other TOs); fail to fully address (or beneficially leverage) key practical differences between (a) BPA, as a point-to-point (PTP) bilateral dominant TO; and (b) other TOs/RTOs that have been through GI 'reform' (and/or as reflected in FERC NOPR), given how BPA is meaningfully different than those TOs/markets; fail to recognize appropriately ways in which other GI reforms have failed and/or results have been not-as-advertised, including failure to reduce queue volume (which is driven by market needs, not bad behaviors); or would create inappropriate, unreasonable, unjust, and/or unfair burdens or other discriminatory outcomes, if not corrected.

Generally the heart of BPA's proposals are in the right place. However there are select key areas where targeted revisions—mostly changes to conform with certain current highly effective BPA GI Study or TSEP study practices—and both critically necessary *and* will highly benefit the efficacy of reforms and ensure an outcome of maximization of viable new generation supply in the PNW market. And ensure BPA can do so without creating unnecessary harm to parties, the market, decarbonization success, nor material additional burdens on the development/IC/TC community.

Ultimately, the core of the issue and needs is a bandwidth issue—addressing limitations historically in staffing and the ability to dynamically adapt to a dramatic uptick in interconnection requests and PNW development activity.

Solutions should thus remain primarily focused on this—bandwidth improvements—through (1) implementation of cluster study (joint, multi-IC studies) methods, and (2) other commitments to staffing improvement and reduction of conflict in key cross-process staff bandwidth, as discussed below. Changes should (3) avoid punitive, burdensome, and impractical solutions, and any material changes in burdens for long-standing, long-waiting ICs. They are unnecessary to garner the lion's share of beneficial change. This approach will both be most effective and most equitable, and maximize viable supply which reaches the market most promptly.

NewSun also references and incorporates by reference its comments and slide presentations.[1]

Overall, ensuring and facilitating the viability, success, and full fair opportunity of treatment of current interconnection queue positions should be the top priority. These are not only the best positions and supply options in the market, but their fair treatment and good faith investment in reliance on the current OATT should be honored and respected. This will similarly result in best and most viable supply options to the market, and the least time- and commercial-disruption of the market and the PNW's ability to succeed in complying with CETA, HB 2021, RPS, and corporate decarbonization goals—and the intense, very real power supply needs of BPA's many

[1] For clarity of record, NewSun respectfully notes that its most recent written comments (5/12/2023) and customer presentation slides (5/18/2023) were not incorporated (at all) and/or appropriately summarized in BPA's 5/25/2023 workshop slides in BPA's summary of customer comments, which omitted a number of key feedback, proposals, issues, concerns, and other comments. Similarly likely applies to other customer comments, given docket schedule compression and tight turnarounds, as well as not capturing extensive workshop discussions. Noting as a reference for those who might only review written posted materials.

customers, especially in public power and for new large, industrial load growth needs, which need supply online ASAP, not hitting restart buttons, re-shuffling the queue and project development viability stacks.

Highlighted Support Areas

Study Areas, Study Method, Cost Allocation:

- *Support Sub-Cluster Approach with Scalable Block Approach* ***subject to*** *(1) seniority-based queue application*, to provide clarity on allocation of existing capacity, benefits of incremental upgrades, and cost responsibility for applicable traunches of current and future upgrades (as per current practices; and, as further discussed below in "Changes Recommended"); and (2) BPA's (as per current practices) study approach to identify all primary MW breakpoints. This is our top concern and recommendation for viability and efficacy of GI Reforms.

- *Support, Reasonable and Non-Punitive Deposit Amounts.* Thank you for listening. Some further modification are needed, as noted below in commercial readiness criteria provisions (which should expand options and reduce amounts), to avoid burdens or biases, but BPA's initial leanings are reasonable for the Future long-term cluster policy.

- *Support, No Withdrawal Penalties.* Thank you for not adding these bad policies, which create undesirable perversions or distortions of incentives. TOs should make it easy and non-punitive to drop out.

- *Support, Ensuring Refundability of All Amounts*. Again, as discussed in workshops, BPA should make it easy for projects to withdraw.

- *Support, No Informational Studies*, but should have year-round application windows, closed at discrete closing dates (as may be identified from time-to-time), so scoping meetings can beneficially occur, with queue seniority applied, and maximal time for interconnection customers to adapt, drop, downsize, make informed decisions as applicable, maximally *before* (not during) cluster study process.

- *Support, Preservation of 3-Phase Study Format* (2-Phase Clusters by Sub-Cluster, then individual Facilities Studies), with downsize optionality preserved before and during. This is critical, useful, helpful, and provides full valued benefits of the current 3-step FERC OATT pro forma approach that has served the market well—but for when flood volumes of requests have made it make more sense to study customers in groups, for bandwidth leverage benefits. Support the general results identified for initial and updated staff leanings

    - Clarify: BPA should affirmatively clarify additional flexibility customers have to downsize without penalty (i) during the pre-cluster window, at any time, to leverage scoping and other information, avoid upgrades or non-viable approaches; (ii) after/between study phases, including as a result of others dropping out (which

might change size of best-suited projects, which BPA should facilitate customers' ability to right size, especially where it beneficially avoids triggering certain upgrades and associated costs, time, and bandwidth impacts).

- *Support, Not Identifying Fixed Schedule Yet for Completion of Transition Process and Start of Long-Term Cluster Study*. BPA should retain its flexibility here and focus on maximally facilitating success for the existing queue.

Recommended Changes

Primary / Macro:

- *Preservation and utilization of seniority-based queue application to studies and cost allocation*, to provide clarity on allocation of existing capacity, benefits of incremental upgrades, and cost responsibility for applicable traunches of current and future upgrades. This modification for seniority-based tiering of cost responsibilities is critical to avoiding muddiness and ambiguity which has undermined the efficacy and equitability of other GI reforms where all parties share costs, and which can force senior positions to bear costs they wouldn't have otherwise had (unfair, harmful, destructive). This change simultaneously conforms this approach with the current most functional of BPA's existing study and cost allocation practices, and its practice of high granularity study reports identifying breakpoints and upgrades to unlock incremental system capacity (different than other TOs), and will help leverage the current best and most viable positions to successful outcomes. This is critical for fair treatment of pre-transition/serial and transition cluster existing queue positions—and strongly recommended for long-term practices. This modified approach also helps avoid the re-study, re-circulation amplification issues with other reforms sharing costs equally across entire sub-cluster groups and discriminatory biases in favor of only the biggest-balance sheet utilities and IPPs, which can better stand posting huge amounts and playing chicken in the queue based on financial resources (which attributes are not synonymous with 'best' projects, and perhaps correlate to the opposite and more indiscriminate spending to eliminate competitors, even as final costs are ultimately passed through to customers).

    - No Tie-Breaker mechanism: With queue time stamp seniority applied (as above), other tie-breaker concepts are no longer necessary (and which had their own issues naturally and best avoided by current practices). To the extent multiple projects are moving forward, we expect, practically speaking that other timelines differentiation will naturally result from parties' respective receipt of facilities studies, execution and processing of BPA LGIA and related documents, including BPA's completion of NEPA for its interconnection, interactions with TSEP, and other factors that will naturally, organically provide other timeline outcome differentiation for which projects actually *can* move forward at any time. Additionally BPA already has policies for managing when a junior time-stamp (grid capacity) project decides to move forward earlier, which address remaining issues.

  - Maintains TSEP consistency in terms of BPA methods across tariffs and practices. TSEP applies (and proves the merits and workability of) a seniority based cluster, that subdivides costs among groups of triggering MW.

  - Justified by notable BPA differences from other TOs and RTOs: BPA is a PTP dominant, bilateral transactions, bilateral transmission based system. Its practices and histories are different. As are its needs to maintain compatibility with these practices, as well as avoid conflicts. BPA also has beneficial GI study practices (as noted elsewhere here and in NewSun's workshop comments and slides) that beneficially avoid some of the pitfalls and problems other TOs/RTOs contended with (or had rate-basing biases to not 'solve' optimally).

- Must Beneficially Consider Relevant Transmission Rights & TSEP Funding in evaluation of any commercial readiness criteria. This omission from BPA's proposals is material and an incorrect, impractical, unsupportable break from current well-based policies.

- Re-Highlighting Financial & Regulatory Compliance Harm Exposure for Select Cases if GI Queue Positions Removed:

  - Transmission Liabilities: Parties have assumed transmission liabilities based on current transmission *and* interconnection OATTs, which include TSR filings (TSEP) and TSA execution informed by the same, often explicitly.

  - CETA 2030 Compliance Viability (and other clean energy standards): LSEs could bear exposure to fines if GIRs are removed from the queue, especially current more senior positions. Any future long-term cluster GIRs are extremely unlikely, practically-speaking, given other BPA interconnection implementation timelines, to be online by 2030, if not included in the current pre-transition/serial and transition cluster groups. Any new GIR study starting a couple years from now (say 2026), given other BPA bandwidth constraints and the high volume of queue positions that will be being interconnected (relative to limited project manager bandwidth, NEPA, etc) just won't happen by 2030. Thus the priority must be to maximize the viability and success path of existing queue positions and existing underway development.

Application and Windows:

- *Year-round application windows and scoping meetings* for long-term cluster (per above). Many practical benefits, for customers, staff, bandwidth management, and better study outcomes.
- *Downsizing flexibility* (as above), preserve and clarify, including between phases and if others drop.
- *Year-round validation*, but with hard-stop cures at close-of-window plus XX days (recommend 30 days). Maintain as much simplicity and compatability with current practices.

Ensure all applications received before:
EOY 2022 get Feasibility Study
EOY 2021 get SIS
EOY 2020 get Facilities Study

Transition Cluster

- **Start Point:** Mid-2024 + After Other Efforts Completed:
  - Recommend BPA provide ample space to complete the following, finish up catch-up efforts, and avoid double/triple stacking bandwidth likelihood (or risks) depending on when BPA TSEP and other effort finish up, including given the inherent benefits of these being completed before launching into the first/transition cluster.
  - Later of:
    - [6/15/2024]
    - Completion of targeted catch-ups for serial queue
    - Current TSEP Full-Wrap-Up, including through all PEA fundings and drop-outs, plus 60 days.
    - Load modeling assumptions update per BPA resource assessment process
    - Line re-ratings effort
    - [Load designation commitment by LSEs deadline]
    - [XX days after E&Ps and LGIAs tendered from catch-up effort]

  - Regardless, we think the effort to start and close the transition cluster during Q1 of 2024 is too compressed, too unrealistic, too burdensome on existing customers, and denies many practical benefits of waiting and ensuring both completion of targeted serial study efforts (which will inform assumptions, including dropouts or persistence queue positions, beneficial to have pinned down in transition cluster, but need time to complete and process).

- **Eligibility:** Notwithstanding BPA focused efforts and commitment to catch up on as many feasibility and SIS studies prior to starting the Transition Cluster itself:
  - *BPA should ensure a set of auto-qualified queue positions, safe-harbored eligibility for Transition Cluster eligibility, without any additional burdens* to participate. This is simple practical way to ensure fair, equitable treatment of all current long-standing GIRs that were waiting for long periods, and were otherwise due studies previously based on tariff policies. Combined with other recommendations here (seniority and blocks), this will maximize fair-shake and supply viability outcomes:

    - *Recommended safe-harbor no-new-burdens Transition Cluster eligibility criteria (any of following)*:
      - All applications received before [EOY2022 or Feb16 kickoff]; or
      - All applications that:
        - [Feasibility Study Agreement signed] before [TC-25 FRN published];

        - [SIS Agreement tendered or Feasibility Study received] before [Final ROD]
        - [Facilities Study tendered or SIS report received] before [cut-off point for TC eligibility]
    - All applications with beneficially relevant transmission service agreements or TSEP PEA executed and funded.
    - Identified as Network Resources by Public Power Preference Customer
    - Previously or currently shortlisted in RFP/RFI/etc (in whole or part) by LSE or [major industrial load];
    - Provision of site control or discretionary permit by ROD.

- Cut-off point for eligibility
    - Could be later with above.

<u>Commercial Readiness Criteria</u>

- *Recommend against having them*, except Site Control.
- *If having them, should be a (much) longer list*, avoid discriminatory and impractical and too limited of list. Each of the listed proposed have problems that making keeping list as-is problematic.
- *Should not be large cash amounts*. Support having 2X study amounts as max.
- *If funding other obligations elsewhere, ability to demonstrate and count towards criteria* (i.e. 2X), including via TSEP, PEAs, development funding, landowner payments, and other development costs, including interest, security, equipment orders, design work, etc.
- *Cannot be only PPA or term sheet/LOI*.
- *60 days to provide is way too short*, implausibly impracticable, especially with PPA .
- *Should provide extra cure rights and time for transition cluster*
- *Remove 20% of Network Upgrades*. If anything like this, should be lesser of 5% and a cap. But problematic given how long these amounts (cash) would be held, perhaps 5-10 years in some cases, practically.
- *Must add transmission TSAs and TSEP PEA fundings*, for any beneficially relevant transmission (including given short-term redirectability) for majority MW portion of applicable
- *Should removed IRP identification from the list.* This is biased and discriminatory in favor of IOU LSEs in particular. And regulatory oversight of IOUs' ability to so designate (at least in Oregon) is functionally meaningless and would create rights to self-deal and self-favor for IOU LSEs, as well as create relative disadvantages for all other market participants, including IPPs and public power and other unregulated LSEs and major loads not bearing those regulatory processes or means.
- *Site Control*
    - Phase 1, prefer site control deposit in lieu, or lower % acreage threshold (25%).
    - Phase 2, 50%

Other:

- *Interest Payment:* BPA should continue paying interest. It should pay the FERC rate. Interest payments must be meaningful and failure to pay them, especially where some better capitalized parties can merely post parent guarantees or letters of credit which smaller companies cannot (or must pay with cash-backed instruments) creates biases and discrimination and undue burdens on certain parties, due to differential cost of such postings, especially when held for protracted times, as would be likely in many of BPA's current proposals.

Sincerely,

NewSun Energy
Jacob H. Stephens

cc. Eric Taylor