

## Pine Gate Renewables, LLC Comments on Generator Interconnection Queue Reform

By email to: [techforum@bpa.gov](mailto:techforum@bpa.gov)

Pine Gate Renewables, LLC (“Pine Gate”) appreciates the opportunity to comment in response to the May 25 workshop hosted by Bonneville Power Administration (“BPA”) in this proceeding. Pine Gate applauds BPA staff for engaging with stakeholders and taking comments on these important issues. Recognizing that some customers have used the workshops as the primary venue for providing BPA feedback, Pine Gate hopes that BPA will give equal weight to the written comments below.

Pine Gate believes that BPA’s May 25 updates fail to address the most significant concerns with the new process, particularly regarding the transition and network upgrade cost allocation.

BPA’s stated objective for the transition process is to provide a balance of, “advancing existing requests to connect generation in order to meet customer needs efficiently and responsively,” and “moving quickly to new reforms.” Pine Gate believes that BPA’s current transition proposal is inadequate for existing requests. Many customers have already been sitting in the study process for several years, receiving piecemeal delay notices, and wondering when they will receive definitive study results that they can take to lenders and potential offtakers. BPA is violating its tariff more often than not, as 89% of SIS studies and 100% of Facility Studies were not completed on time in Q1 2023.<sup>1</sup> Completing these studies is also in BPA’s interest, since these studies have already used a significant amount of BPA’s time and resources. Ideally, everyone should take advantage of the work that has already been done on these requests.

To restore this balance and provide a reasonable transition for late-stage projects, Pine Gate offers a few recommendations.

### **1. BPA should prioritize processing late-stage projects by pushing back the Transition Close Date and pausing all work on feasibility studies.**

In the May 25 workshop, BPA commented that it plans to continue processing studies between the publication of the Federal Register Notice (FRN) and the final issuance of the Record of Decision (ROD). However, under BPA’s proposed dates, any serial study processing after the Transition Close Window (aside from those undergoing Facility Studies) would not be a productive use of resources because each project will be re-studied in clusters. According to BPA’s timeline, the TC-25 proceeding is expected to take nine months. BPA should utilize that significant

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<sup>1</sup> BPA FERC Order 845 Study Report. June 1, 2023. <https://www.bpa.gov/-/media/Aep/transmission/interconnection-reports/BPAFERC845Report.xlsx>

window of time to process applications in System Impact or Facility Studies that have the best chance to qualify for the transitional serial process or to receive an LGIA. For these reasons, we recommend that BPA determines which projects are in the transitional serial process only when BPA is ready to begin the transition cluster process.

Additionally, prioritization of late-stage projects needs to begin today. Pine Gate recommends that BPA's staff and workflows focus exclusively on requests in SIS or Facility Studies. We believe that projects in a Feasibility Study today are not going to receive meaningful cost estimates in time to execute commercial deals and qualify for the transition. Customers with early-stage projects already assume that they will have to re-do their studies in the cluster process, so any study results in the serial process will be meaningless. On the other hand, projects in the SIS-phase and later already have an expectation of costs and have a good chance of seeing those costs in their final agreements. PJM has implemented this as part of its queue reform transition – it stopped processing requests submitted after September 30, 2020 to move as many projects out of the queue as possible, including all of the legacy requests over five years old.

With these recommendations, we believe that BPA will make optimal progress on projects currently stuck in System Impact and Facility Studies that will give these requests the best chance to making it through the finish line.

## **2. BPA should expand its requirements to enter the transition to better accommodate late-stage projects while still managing the number of transitional requests.**

Pine Gate continues to have serious concerns with staff's leaning to have commercial readiness demonstrations to enter the transition, particularly for the transitional cluster.

As other stakeholders have expressed in their comments (e.g., Clearway Energy Group, Cypress Creek Renewables, Gallatin Power, Savion, Renewable Northwest, and wpd Wind Projects), these types of commercial readiness demonstrations are infeasible as long as costs and timelines remain uncertain for years to come, which may happen in all transitional groups. A transitional serial group of 40 projects will take over two years for BPA to process.<sup>2</sup> A transitional cluster project will essentially be restarting the new process that BPA expects will take almost four years to complete. The same reasons to provide the option of a deposit in the new process applies equally to transition requests. Additionally, these milestones are biased to requests from investor-owned utilities that are procuring their own projects.

In other markets, customers struggle to finalize commercial deals when the transition outcome for the project remains uncertain until the transition happens. For example, in PJM, many

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<sup>2</sup> Using BPA's forecasted processing rate of 15 facility studies per year.

customers do not know if their projects will remain in the serial process or enter a cluster process until after the transition date. As a result of this impact on Pine Gate’s existing portfolio, Pine Gate had to pause work on commercial agreements for projects that could potentially qualify in either one, as it doesn’t know if the projects will have their costs allocated serially (and will receive their LGIA in 2023/2024) or in a cluster (and will receive their LGIA in 2025). The costs and timelines between a transitional serial and a transitional cluster are too significant to ignore. BPA presents a similar situation, as it will be unclear which Facility Study agreements will be executed by the Transition Close Date.

Put another way, BPA’s current leaning is like buying clothes for your children four years in advance. Spending money and time that far in advance is wasteful for several reasons: the clothes may not fit depending on how the kids grow up; the clothes may go out of style, or the children’s preferences may change, and the children may not want to wear them. That’s why the late-summer, “back-to-school” season is a popular time to shop – families get the clothes immediately before their kids need them. Similarly, the commercial readiness milestone options that BPA is proposing would be completed too early, which is not in the interest of any existing request.

Pine Gate understands BPA’s concerns that the transition groups will be too large to manage and hinder queue reform. However, BPA’s proposal only creates more uncertainty on where and how many projects will land in the transition groups, as it depends on BPA’s ability to process the queue, and the customer’s ability to demonstrate commercial readiness.

Pine Gate recommends that BPA use one or any of the following alternatives to the BPA’s commercial readiness demonstrations to provide a high yet feasible bar for entry into the transition:

1. Offer a deposit in lieu of commercial readiness.
  - While some customers have voiced a preference for low deposits, Pine Gate believes that high deposits are a useful and necessary barrier to reduce speculative projects.
  - For the transitional serial group, the deposit should be same as the proposed requirement of the Facility Study deposit in BPA’s new process (20% of the allocated network facility cost). The current proposed BPA deposit for Phase 2 is too low – instead, Pine Gate suggests 10% of allocated network upgrade costs (which is the practice in PJM, MISO, and SPP).
  - Another option is to refer to current industry practices. For example, PJM requires a deposit of \$4,000/MW to enter the transition. MISO is discussing increasing the initial milestone deposit to \$6,000 to 8,000/MW.
  - To place more risk on customers, the deposit should be non-refundable.
2. Set transition qualifiers based on criteria that will provide a manageable upper bound on the number of projects a transitional cluster will contain.

- At the very least, BPA should not allow new requests submitted after BPA’s first notice of the TC-25 tariff proceeding (February 2023) to be eligible for the transition, as these customers have been given notice that the rules are changing. According to BPA’s assumptions, that restriction would move about half of the backlog into the new process.<sup>3</sup>
- If BPA needs to further restrict the cluster size, it should only allow projects that either have a completed SIS or have been waiting for their SIS for more than 90 days to enter the transition (as of the start of the Transition Request Window). Based on today’s queue, that qualifier would put less than 75 requests in the transition.<sup>4</sup> This number will only decline going forward if BPA stops processing feasibility studies.
- If BPA needs to reduce the transitional serial group, BPA should prioritize requests that have an insignificant contribution to network upgrades (e.g., less than \$5 million), as those projects will have faster facility and environmental study timelines. These projects also bear a significant disruption in cost expectations by moving to a cluster study.
- If BPA decides it wants to expand eligibility for transition, processing two smaller transition clusters will still clear the backlog faster than under the serial status quo (under which the backlog would clear by 2037). The second transition cluster can begin after Phase 2 of the first cluster has been completed.

Pine Gate believes that any of these solutions will allow more existing, late-stage requests to move through the queue. These customers have already put in their time and investment in the process by waiting for BPA to complete its studies. BPA still needs to honor the expectations they provided these customers years ago.

### **3. Pine Gate continues to support Alternative #2 – Proportional Impact, for Network Cost Allocation.**

The proportional impact method is utilized by most utilities and RTOs/ISOs for a reason. This method aligns with cost causation principles, by protecting well-sited projects from shouldering the costs of sub-optimally sited projects. Potential customers are encouraged to find sites with more system headroom that will create a smaller impact on the grid. In contrast, the proportional capacity method only encourages smaller-sized projects. This is ultimately not in BPA’s interest as more unnecessary network upgrades will have to be built. BPA’s proposed interconnection

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<sup>3</sup> BPA’s projections in its April workshop presentation, assumed 8.1 new requests per month starting in January 2023, and 310 total requests in the backlog in 2024.

<sup>4</sup> Based on the BPA Interconnection Request Queue as of June 1, and the FERC Order 845 Study Report. There are 55 requests with completed System Impact Studies and 18 studies that were incomplete after 90 days in Q1 2023.

capacity heat map will not even be utilized if developers are not encouraged to find sites with more headroom.

Additionally, while the proportional capacity method is easy to calculate in an excel file, it lacks the transparency that is useful for BPA and its customers. Pine Gate cannot estimate expected costs because they are entirely based on the number of other requests and project sizes in that sub-cluster. Alternative #2 is also supported by several other commenters (e.g., BrightNight Power, Clearway Energy Group, Cypress Creek Renewables, NIPPC, Renewable Northwest, and Savion). We ask BPA to reconsider this and review how ISOs/RTOs have mitigated the concerns that BPA has expressed. If BPA still supports proportional capacity, we ask BPA to clearly demonstrate in the next workshop why the proportional capacity method is a better approach.

To conclude, Pine Gate hopes that BPA will continue this dialogue over the next several months and continues to remain open to new ways to meet the interests of both BPA and its customers. Please do not hesitate to reach out if we can be of any assistance in this process.

Respectfully Submitted,

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