

Via email (techforum@bpa.gov)
U.S. Dept of Energy
Bonneville Power Administration
Transmission Services
June 2, 2023

Re: Comments of Cypress Creek Renewables on the TC-25 Updated Staff Leanings

Cypress Creek Renewables (Cypress) appreciates the opportunity to submit these comments to the Bonneville Power Administration (“BPA”) regarding the TC-25 workshop held May 25, 2023. We appreciate BPA’s focus on a first-ready, first-served process, which we believe will result in more efficient queue management. However, increased commercial readiness on the part of the interconnection customers (IC) must be matched by actions the utility can take to be ready to provide more timely interconnection service. As such, we organize recommendations based on what ICs should do to be commercially ready, consistent with best-practice development processes, followed by actions that are logical for the utility to consider implementing for it to ramp its interconnection processing capabilities.

Actions Interconnection Customers must take to be commercially ready

1. BPA’s proposed site control requirement and study deposits and security payments based on those deposits are too low and will not incentivize ‘first-ready’ projects

As other commenters have noted,¹ a successful generation interconnection study process must be designed to incentivize interconnection behavior, including, but not limited to:

- Meaningful site control requirements
- Sizeable financial deposits
- Increasing financial deposit forfeiture at each study phase

Staff’s proposal will fail adequately incentivize desired interconnection customer behavior. Addressing each of the above:

- Regarding site control, a requirement that the generating facility demonstrate site control for both 75% of the generating facility and 50% of the Generator Tie (Gen Tie) would represent a more meaningful demonstration of readiness than BPA’s staff proposal that 100% of the generating facility be secured at interconnection application. This is because the Gen Tie can only occur via a limited number of paths to pre-identified points of interconnection (typically identified through injection capacity analyses and other

¹ Savion, “BPA Customer Led Workshop, May 18, 2023,” <https://www.bpa.gov/-/media/Aep/rates-tariff/TC-25/April-26-and-27-customer-comments/Savion-Feedback-for-BPA-CLW51823.pdf>

analyses), whereas developers have much more flexibility as to the project configuration on the site itself.

- BPA's proposed financial and security payments are far below requirements in place in other utilities and RTOs, and will not be sufficient to deter more 'speculative' projects from entering the initial phase. We recommend the following in prior comments:
 - Initial Security of \$6,000/MW to enter Phase I
 - Subsequent security amounts of network upgrade cost allocation, ie, 10% of cost allocation to enter Phase II, and 20% of cost allocation to enter Facilities study.
- We further recommended increasing financial risk based on allocated cost. BPA's proposal that the penalty for withdrawal be 'partially or fully non-refundable depending on study phase and timing and the impact of withdrawal' does not provide enough clarity on assumed risk levels, and as such is not consistent with the third component of a goal of interconnection reform to increase risk throughout the process. Our proposal increases risk based on increasing % at risk of the initial security, followed by an increased amount at risk based on the results of your network upgrade allocation.
- The security required is critical at the initial interconnection request. For comparison, a sample 250MW project with \$10M allocated network upgrade cost would pay \$100,000 to enter phase 1 under BPA's proposal, where the project pays the study deposit only, which is calculated based on the formula provided
 - $(\$25,000 + \$500/\text{MW}) = \$150,000$, capped at \$100,000, with an unclear amount at risk
- The same project within PJM would pay 10x that amount in security deposit alone to enter the initial phase.
 - $(\$4,000 * 250\text{MW}) = \$1,000,000$, with half of that immediately at risk, plus study deposit
- Cypress' recommended project initial security would equal \$1,500,000, a more appropriate requirement to enter based on the size of the project. While the scope of the Phase I as proposed may be different that the scope of the initial phase within PJM, the difference highlights the starkly different initial entry requirement, which Cypress believes should be substantial in order to deter speculative project entry, which takes up staff resources.
- Such an amount forces developers and independent power producers to be much better prepared to capitalize security posting requirements in order to construct and operate the facility over its life. BPA should be promoting project milestone requirements that align with the long-term costs and benefits of operating projects.
- Additional milestone payments should be aligned with the project's impact to the system, rather than the commercial readiness requirements that are proposed in the May TC-25 update that include either commercial contract or payment -in - lieu that is a multiple of a study deposit.
- *Critically, the increased capital requirements for developers will only work for ICs if the utility is also ready via measures discussed below and other measures (i.e., delivering on-time study results, allocating sufficient resources to construct interconnection facilities, and most importantly, linking long-term transmission plans to future interconnection needs.).*

2. BPA's proposed transition requirements must be narrowed to create a more manageable transition cluster process, and it must freeze work on new applications received after a specified date

BPA proposes the following:

- Transition serial eligibility closure is set to be no earlier than 60 days August 2023 Federal Register Notice Publication date.
- The transition request window shall open after the Administrator's final record of decision and be open for 90 days.
- The effective date for the tariff is the date the ROD is issued.
- The project must have an executed Facilities Studies Agreement as of the FRN.
- The project must show exclusive site control and commercial readiness demonstration

Cypress agrees with this proposal, and suggests the following additions:

- To qualify for the transition cluster following the transition serial process, the IC must have submitted an interconnection request by the March 15 and 16 2023 TC-25 workshop, when BPA first laid out alternatives to status quo requirements.
- Customers submitting interconnection requests after that date would have a reasonable expectation that request requirements would change.
- We recommend BPA freeze staff work on any applications received to date after March 15 2023 in order to focus resources on those requests prior to the transition.

Actions BPA should consider to be 'utility-ready'

3. BPA's proposal to allocate network upgrade costs based on proportional capacity as opposed to proportional impact will result in unjust and unreasonable rates

There is a clear consensus among stakeholders supporting proportional impact as a more just and reasonable method to assess and assign network upgrade costs compared to proportional capacity. To reiterate our prior comments, allocating cost based off capacity requires engineering judgment which can be subject to inconsistency and result in unfair cost allocation. Proportional impact (DFAX) is a fair way based on cost-causation to assign upgrade costs by burdening the largest contributors with the largest share of the upgrade, and it is increasingly becoming the standard across most markets for that reason, (e.g., PacifiCorp, MISO, others). Proportional capacity results in subsidizing projects by burdening lesser contributing projects to reduce the burden of higher contributing projects. Costs allocated to interconnection customers, refunded through a 'crediting' framework, will result in unjust and unreasonable rates.

If Bonneville's preference for proportional capacity is justified by 'ease of administration,' an understandable objective given the scale of the queue, it must consider the impact of its methodology on the entirety of the process. A proportional capacity method will incentivize smaller projects with higher impacts (that would be incentivized to proceed with lower cost allocation), requiring additional cost and time to build the identified facilities, resulting in further cost and delays to the process.

In either case, given the strong stakeholder position in support of proportional impact, and the potential for allocating costs via proportional capacity to result in unjust and unreasonable rates, Bonneville has yet to explain its preference, and should do so in future written process communications, prior to including this method in proposed tariff redlines.

4. BPA should address study delays more directly in this TC-25 process through attention to process efficiency and resourcing, and as a reinforcing mechanism, Cypress recommends BPA consider refunds of study and milestone payments if such delays occur

In its responses to general comments, BPA notes funding for additional resources (FTE) to implement the GI process will be discussed in IPR starting in 2024. It also states that ‘the only feasible way to reduce the overall process timeline is to reduce customer time.’

First, without attention to resourcing in this TC-25 reform process, there exists a strong potential for study delays to persist in the new cluster process after the identified timelines due to continued insufficient resourcing combined with a lack of transmission capacity. We recognize the challenge BPA and other transmission providers face with respect to resourcing. In lieu of addressing resourcing head-on in this process, and as a reinforcing mechanism, CCR suggests a portion of increased study deposits above the amount spent, as well as a portion of the milestone payment, which should be increased to support additional resourced needed, should be refunded to the IC if the Phase II cluster study, cluster re-study, or facilities study is more than 30 days late after the timeline to be established in the OATT. This proposal will improve not only commercial certainty and open commercial readiness demonstration options as discussed below, but also accelerate withdrawal and restudy timelines.

With respect to the second issue, we respectfully disagree. In our previous comments, we identified that a short circuit analysis completed in Phase I and then again in Phase II is redundant. We stated: ‘BPA should move the redundant short circuit analysis solely to Phase II. The Phase I power flow study is more appropriate to provide a relatively rapid assessment of network upgrades (NUs), whereas short circuit provides limited upgrade information based on impact to circuit breakers. CCR recommends BPA reduce the Phase I timeline adjustment to reflect a reduced scope of work.’ We request BPA staff specifically address why this process recommendation does not reduce the Phase I process timeline in future written process communications.

We appreciate all of your hard work on this critical effort and look forward to future discussions.



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