

NIPPC comments on BPA TC-25 Interconnection Queue Reform
By e-mail to: techforum@bpa.gov

Thank you for the opportunity to submit comments.

General Comments

NIPPC continues to support BPA's decision to explore interconnection queue reform including a transition to a cluster study for generator interconnection.

NIPPC reiterates its earlier comments that the more complete and more accurate information customers have regarding the costs of interconnection at a specific location the better. If developers have interconnection costs projections that they can rely on to support their efforts to sell their projects, they will not need to enter the interconnection queue in order to obtain that information. The more accurate the preliminary information that BPA provides to customers is, the less likely customers will be to submit interconnection queue requests that are intended primarily to ascertain interconnection costs. NIPPC encourages BPA to provide customers a broad range of tools to allow them to access better and more complete information about the grid and its constraints prior to their submittal of an interconnection application. These tools could include maps, pre-application reports, and access to prior interconnection studies.

First-Ready/First-Served Cluster Study Process

Comments on staff proposals

BPA staff indicates that it is leaning towards its Alternative 3 – a two phased cluster study. BPA staff indicated that it is currently completing 15 studies annually. Any interconnection reform should plan on increasing the number of studies that can be completed.

NIPPC recognizes that a principal benefit of the proposal is to provide customers with low barriers to enter the initial cluster study (Phase 1) in order to obtain preliminary information on the interconnection costs associated with their project.

It is not clear from the materials whether BPA intends to have a predictable cycle of interconnection processes (i.e. a standardized 18 month or 2 year cycle for interconnection cluster windows) or whether BPA intends to retain the flexibility to announce the next cluster study windows only after it completes an interconnection

study cycle. NIPPC asks BPA to clarify its intentions with this regard. Depending upon how BPA answers this question, NIPPC's position on the topics below may change.

NIPPC has concerns with the staff proposal. First, is that the proposed timeline is too long. The proposed interconnection process appears to take at least 2-3 years from start to finish; even longer if re-studies are required. The proposed timeline for only the Phase 1 and Phase 2 cluster study cycle will last one year and seven months. NIPPC members note that this proposed timeline is substantially longer than other interconnection reform processes that FERC has approved. (MISO's process is approximately 12 months; PJM's process is approximately 23 months; SPP's process is approximately 24 months). NIPPC also notes that longer timelines to complete study cycles may encourage speculative requests as the market opportunities that may be available 5 years from now are more uncertain than the opportunities within the next two years.

NIPPC suggests shortening the time for Validation and Cure, and Customer Engagement in Phase 1 and shortening the time for Validation and Cure in Phase 2. NIPPC believes customers and BPA could conduct much of the Validation and Cure and Customer Engagement processes as interconnection requests are submitted; there is no need to wait to begin those processes only after the close of the Cluster Request window. BPA should also consider how much preliminary work on validation and customer engagement BPA can complete before the close of the cluster window.

In addition to shortening the time for Validation and Cure, NIPPC suggests that BPA could require the customer to submit the Study Deposit at the time of application (instead of during the Customer Engagement window) so that the deposit can be validated at the same time as the rest of the application. BPA should also consider establishing cluster areas before the Phase 1 cluster study and have scoping meetings for each cluster area to reduce the number of scoping meetings.

Finally, BPA, if possible, should overlap the Facility Study and Environmental Study as much as possible, preferably beginning the Environmental Study as soon as facilities are identified in Facility Study. NIPPC understands that BPA staff conduct Facility studies and environmental studies concurrently on projects today. This approach should be implemented in the new process, as well.

Alternative Proposal for Consideration

As an alternative to reducing the timeline for the cluster study process, NIPPC asks BPA to consider the following proposal. Not all members of NIPPC support this concept;

they would prefer BPA shorten the study timelines as noted above. Nevertheless, If BPA were to increase the time between the end of the Phase 1 Cluster Study and the start of the Phase 2 Cluster study, then generation developers could (in theory) incorporate the information from the Phase 1 study into their bids into Requests for Proposal and allow load serving entities to score those bids and develop their “short list” for resource acquisitions. Under this approach, there would be no commercial readiness requirements in the Phase 1 Cluster Study, and the interconnection customer could satisfy the commercial readiness requirements to participate in the Phase 2 Cluster Study by being included on the utility short list. As explained in NIPPC’s IRP and RFP presentation, developers cannot submit a bid in an RFP without some insight into their interconnection costs. Under this approach, the developer would obtain the Phase 1 Cluster Study results and then have sufficient information to submit their bid to the utility. The utility would then need to review all the submitted bids and create a short list before the Phase 2 Cluster Study.

Projects chosen for the short list would be able to use that as demonstration of “readiness” for purposes of qualifying for the Phase 2 study

NIPPC estimates that BPA would have to allow several months¹ between the end of Phase 1 and the start of Phase 2 to allow sufficient time for the RFP scoring process to play out. NIPPC recognizes the limitations of this proposal. First, it assumes that public utility commissions and utilities would conform the timing of their own resource procurement and oversight processes to the timing of BPA’s cluster study processes. Second, building in a longer time to allow development of a short list would extend the time for the cycle to complete. Nevertheless, in brainstorming how BPA’s interconnection reform proposals can possibly mesh with utility procurement processes, this is the best solution NIPPC has been able to identify. NIPPC encourages BPA to consider this option and – just as important – seek input on this proposal from other stakeholders, including the utilities that run procurement processes and the commissions that oversee them. NIPPC recognizes that building in this additional time between Phase 1 and Phase 2 would extend the timeline to complete the process. If BPA were to consider this proposal, BPA would likely need to make a firm commitment to conduct study cycles on a predictable and consistent timeline of opening a new cluster window every two years.

Time Stamp as Tie-Breaker

¹ Utilities in the region have not scored bids and developed their short list for procurement on consistent timelines. NIPPC urges BPA to solicit comment from public utility commissions and investor owned utilities on how much time could be built into the process between the Phase 1 results and the deadline to enter Phase 2 to allow utilities to score of RFP bids and develop of a short list.

Staff has proposed using the time stamp of the demonstration of readiness requirements as a tie-breaker. NIPPC interprets this proposal as follows. When there are multiple projects in a cluster which would face different interconnection costs (because of the “lumpiness” of the upgrades required) BPA would allocate the lower cost connections to customers based on the date they satisfied the readiness requirements.

NIPPC notes that readiness requirements first appear in the Phase 2 cluster. How would BPA reflect in the Phase 1 results that some projects would have lower costs than others? NIPPC also notes that this would trigger a “race” for customers to submit their evidence of readiness upon the completion of Phase 1. NIPPC encourages BPA to consider a mechanism to award a “tie-breaker” based on which customer values the interconnection position the most (not only the customer who presses “send” first). In the context of transmission service, the OATT provides for pre-emption and competition to award transmission service to the customer who is willing to take the service for the longest term. BPA should consider whether there are other similar attributes of interconnection service which could be used to break ties (such as an earlier commencement of service date or a customer’s willingness to forego suspension of its interconnection).

During Interconnection Review Process

NIPPC encourages BPA to incorporate into its interconnection queue reform, specific options to allow customers the opportunity to modify their interconnection request to avoid or reduce the cost of upgrades.

Specifically, NIPPC suggests that BPA include information in its Phase 1 study reports on the reasons for which a project fails screens (the specific screens failed, the technical reason(s) for failure, details about the specific system threshold/limitation causing the failure) with enough detailed data to allow the customer to redesign its project to avoid or mitigate upgrade costs. Phase 1 cluster study results should provide developers with enough data to modify their design to eliminate or reduce the need for upgrades prior to the Phase 2 study process (rather than requiring restudy after study results are delivered). BPA should allow customers to propose design modifications without automatically submit a new interconnection application.

BPA should consider allowing customers to submit alternative designs as part of its application, perhaps original design and two alternatives that address system constraints. If design modifications would require further study, BPA should consider

how it might address those additional studies through post-results modifications (i.e. explicit process for modifications after posting of study results) rather than requiring a re-study of the entire cluster.

Site Control

NIPPC supports the requirement for customers to demonstrate site control at the time of the application.

BPA suggests that it will adopt a definition of site control “that may be similar” to the definition that FERC proposed in its NOPR. NIPPC requests that BPA provide the text of its proposed definition of site control so that customers can provide comment on the specific proposal.

NIPPC also encourages BPA to offer customers the option to provide a deposit in lieu of a demonstration of 100% site control. NIPPC suggests allowing customers to satisfy the site control requirement to enter the Phase 1 Cluster by tendering a deposit of \$250,000. In order to participate in Phase 2 Cluster studies, customers would have to demonstrate 100% site control.

Commercial Readiness

NIPPC supports the proposal to require a demonstration of readiness in order for customers to continue into the Phase 2 Cluster. NIPPC also supports the proposal to allow a customer to make a deposit in order to demonstrate commercial readiness. NIPPC, however, suggests that BPA allow customers to establish commercial readiness through other mechanisms. For example, a customer who is able to satisfy commercial readiness through one of the other mechanisms laid out in Alternative #3 should be allowed to rely on that mechanism rather than put up an additional deposit.

Allocation of Study Costs

NIPPC supports the proposal to allocate study costs based on MW.

Allocation of Costs of Network Upgrades

BPA proposes to allocate the cost of Network Upgrades based on each project’s proportion of capacity. NIPPC understands BPA staff’s concerns regarding use of a proportional impact method, but believe those concerns can be addressed or mitigated. NIPPC appreciates that BPA staff is not familiar with performing DFAX analyses given

staff's use of PSLF powerflow software. Using such software, NIPPC believes that proportional impact analyses could be performed using the Power Transfer Distribution Factor. Second, NIPPC understands BPA staff's concerns that distribution factors represent only a single point in time, that the scenarios to assess them can be subject to interpretation, and that using multiple scenarios may lead to interconnection customers cherry-picking their most favorable result. However, these concerns have been addressed by other transmission providers. For example, MISO develops a pre-defined set of bench cases set forth in section 6.1 of [Business Practice Manual-15](#). These cases are designed to incorporate a reasonable set of assumptions, which allows for a reasonable assessment of reliability impacts. SPP also develops a set of base models used for reliability analysis throughout the Interconnection Study. In addition, SPP utilizes a similar methodology to assemble a set of models. [Section 4.2.1 of SPP's DISIS Manual](#) outlines this methodology. Accordingly, NIPPC supports Alternative #2 which would allocate the costs of Network Upgrades based on the proportionate impact of each project using an analysis of distribution factors. NIPPC believes that Alternative #2 is more consistent with cost allocation in that the customer projects that have the most impact on the need for Network Upgrades pay a higher share of the costs than projects that drive less need for Network Upgrades.

Under the BPA proposed methodology, there is little incentive for customers to do the up-front research and pick areas of the grid that would require less costly upgrades. Also, this proposal is not consistent with industry standards: CAISO, MISO, SPP, NYISO, PSCo, Tri-State, Duke, and Dominion all use the proportional impact method by performing a distribution factor analysis. NIPPC recognizes that this approach may not be the easiest to implement and acknowledges BPA concerns regarding the transparency and potential for disputes over the selection of scenarios used to calculate distribution factors. Nevertheless, other utilities use this methodology without issue. NIPPC suggests that BPA develop and post a consistent set of cases representative of system conditions that BPA will use to calculate distribution factors.

Shared Network Upgrades

BPA proposes that it will not reallocate costs after the close of a cluster. NIPPC acknowledges the difficulties BPA cited in its presentation in developing a reallocation of Network Upgrade costs.

Nevertheless, urges BPA to consider whether there is formula that BPA could apply when customers in later study cycles benefit from Network Upgrades paid for by customers in earlier study cycles. NIPPC's primary concern with BPA's proposal is that interconnection customers in later cycles will not be paying their fair share of Network

Upgrade costs. While NIPPC recognizes the challenges BPA would have in developing a precise allocation of earlier Network Upgrade costs for customers in later study cycles, NIPPC does believe that BPA should consider whether there is a formula that would allow BPA to calculate a reasonable approximation of the costs that late coming customers should contribute to their share of Network Upgrade costs.

Study Flexibility

NIPPC supports the staff proposals to allow interconnection requests to add co-located resources without making a new interconnection request. NIPPC also supports proposal to incorporate extra flexibility in the evaluation of material modification.

Interconnection Information Access

No comments

Affected System Study Procedures

No comments

Modeling Requirements

No comments

Transition Process

NIPPC requests that BPA provide specific dates and timelines for the transition process. While NIPPC recognizes that the timing and dates may change, BPA should provide a preliminary timeline for its proposed transition. Many NIPPC members have sought clarification on the question of when the cut-off date would be for customers to qualify for the transition studies, BPA should answer this question. NIPPC also requests that BPA describe how it will prioritize interconnection studies in the interconnection queue between now and the start of the formal transition mechanism. Some utilities have paused considering new interconnection applications as they pursue interconnection queue reform; while others have not. NIPPC members fall on both sides of this issue. NIPPC requests that BPA clarify whether it will pause accepting new interconnection applications and/or prioritize customer interconnections in the later stages of the process. Customers should have the opportunity to comment on this issue.

NIPPC has concerns about the proposed requirement for customers to demonstrate commercial readiness in order to remain within the transition serial and transition cluster processes. Many members feel strongly that BPA should not require commercial

readiness demonstrations as a condition of entering a transitional serial or cluster process. As NIPPC and other stakeholders have explained, the proposed readiness demonstrations are inconsistent with industry-accepted timelines for developing, financing, and constructing generation projects. Furthermore, the proposed commercial readiness demonstrations are particularly ill-suited for projects entering a transitional cluster study. It is not commercially possible for a project to enter into a binding term sheet or contract at this stage in the development cycle without firm information regarding network upgrade costs.

While some late-stage customers may be able to meet one of the readiness milestones enumerated on Slide 128 of the April presentation, some may not. NIPPC recommends that BPA include a deposit mechanism to allow a late-stage project to remain in the transition process. Customers who have progressed through the interconnection process to the point of executing a Facilities Study Agreement have already invested significant resources into their project. If they are unable to meet one of the readiness milestones, these projects would be ineligible for the transition cluster. But given the level of investment in these projects, these customers would likely enter the first cluster study after the transition where they would be able to provide a deposit in lieu of meeting one of the other readiness milestones. There seems to be no logical reason to force these late stage projects out of the transition cluster if they will simply enter the first Phase 1 cluster study.

NIPPC also requests that BPA expand the number of ways that customers can demonstrate commercial readiness in order to remain in the transitional process. Among the additional criteria that BPA could accept as evidence of commercial readiness are:

- Site and substation design drawings 30% complete.
- Submitted NEPA application.
- Procurement plan for all generating facility equipment, consistent with expected in-service date, including updated lead time for equipment.