

# Proposed Changes to the Interconnection Process & FCM Participation

# Changes to the LGIP – Milestone/Financial Requirements

- Proposed changes to the LGIP process are intended to increase the likelihood that generating projects that are maintaining queue positions and consuming study effort are viable projects with a demonstrated ability and willingness to proceed to completion
- The changes increase deposit requirements at certain decision points in the Interconnection Process
- Increased deposits can be offset by demonstration of project progress
- The changes do not alter the overall sequence and structure of the Interconnection Process
- Changes do not extend to the SGIP (< 20MW)

# Changes to the LGIP – Milestone/Financial Requirements

	Current Schedule 22 Requirements	Proposed Schedule 22 Requirements
Interconnection Request (“IR”)	<ul style="list-style-type: none"> <li>• \$10,000 refundable deposit due with IR               <ul style="list-style-type: none"> <li>○ Balance applicable to Feasibility Study or System Impact Study deposit</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>• A completed Capacity IR is required by the Show of Interest deadline for those resources seeking to be considered in the qualification analysis for the given FCA</li> <li>• \$50,000 refundable study deposit due with IR               <ul style="list-style-type: none"> <li>○ Unspent portions of this deposit are refundable if the project withdraws within 10 business days of the Scoping Meeting or if an IA is executed</li> <li>○ Balance applicable to studies</li> </ul> </li> </ul>
Interconnection Request	<ul style="list-style-type: none"> <li>• Additional \$10,000 refundable deposit or demonstration of Site Control within a cure period</li> </ul>	<ul style="list-style-type: none"> <li>• Site Control required with a Capacity IR</li> </ul>
Feasibility Study Agreement	<ul style="list-style-type: none"> <li>• Additional deposit of the greater-of \$10,000 or estimated monthly study cost due with Feasibility Study Agreement</li> </ul>	<ul style="list-style-type: none"> <li>• Deposit of 100% of estimated study cost balance due with Feasibility Study Agreement. Upon completion or termination of the Feasibility Study, funds remaining beyond the initial \$50,000 deposit (above) are refundable or may be applied to the System Impact Study Agreement Deposit.</li> </ul>

# Changes to the LGIP – Milestone/Financial Requirements

	Current Schedule 22 Requirements	Proposed Schedule 22 Requirements
System Impact Study Agreement (SISA)	<ul style="list-style-type: none"> <li>Deposit of the lower-of estimated study cost, or, \$50,000</li> </ul>	<p>Developer to elect one of the following three choices to be made available under the Tariff:</p> <p>Greater of 100% of study costs or \$250,000 refundable study deposit due with SISA</p> <p>OR</p> <p>Refundable deposit of the lower-of estimated study cost, or, \$50,000, AND, copies of major permit applications (including state siting for generator, generator lead, fuel lateral and air/water permit if applicable)</p> <p>OR</p> <p>Refundable deposit of the lower-of estimated study cost, or, \$50,000, AND, demonstration of “at-risk” project expenditures in at least the amount of increased deposit requirement described in choice 1 above</p>

# Changes to the LGIP – Milestone/Financial Requirements

	Current Schedule 22 Requirements	Proposed Schedule 22 Requirements
Facilities Study Agreement	<ul style="list-style-type: none"> <li>Deposit of the greater-of \$100,000 or estimated monthly study cost due with Facility Study Agreement</li> </ul>	<p>Developer to elect one of the following three choices to be made available under the Tariff:</p> <p>Deposit of the greater-of 25% of study costs or \$250,000 refundable study deposit due with Facilities Study Agreement</p> <p>OR</p> <p>Refundable deposit of the greater-of \$100,000 or estimated monthly study cost due with Facility Study Agreement, AND, copies of major permit applications (including state siting for generator, generator lead, fuel lateral and air/water permit if applicable)</p> <p>OR</p> <p>Refundable deposit of the greater-of \$100,000 or estimated monthly study cost due with Facility Study Agreement, AND, demonstration of “at-risk” project expenditures in at least the amount of increased deposit requirement described in choice 1 above</p>
Facilities Study Bypassed (Expedited Interconnection Agreement)		<ul style="list-style-type: none"> <li>Refundable deposit of 100% of estimated costs of Engineering studies that would have been performed within the Facilities Study (if Facilities Study bypassed – i.e. expedited interconnection)</li> </ul>

# Changes to the LGIP – Milestone/Financial Requirements

	Current Schedule 22 Requirements	Proposed Schedule 22 Requirements
Interconnection Agreement	<ul style="list-style-type: none"> <li>Commit to upgrade expenditure schedule</li> </ul>	<p>Developer to elect one of the following two choices to be made available under the Tariff:</p> <p>Commit to upgrade expenditure schedule AND Provide copies of major permit approvals (including state siting for generator, generator lead, fuel lateral and air/water permit if applicable)</p> <p>OR</p> <p>Refundable deposit of 20% of the Interconnecting TO and Generator Interconnection Related Upgrades as estimated in the Facilities Study, due at IA execution</p> <p>If TO expenditure schedule calls for an initial payment of greater than 20% of the total upgrade costs, then payment of the scheduled initial payment</p> <p>Commit to remaining upgrade expenditure schedule</p> <p>Include milestones for the completion of major permit approvals (including state siting for generator, generator lead, fuel lateral and air/water permit if applicable) in the Interconnection Agreement</p> <p>Include milestones to align Interconnection Agreement with fulfillment of terms outlined in the Forward Capacity Market, including potential termination of IA if capacity obligation not satisfied in accordance with MR1 FCM criteria</p>

# Changes to the L/SGIP – Capacity & Energy Interconnections

- A “Capacity Network Resource” interconnection option would be offered where the same overlapping transmission deliverability standard used in the FCM will be incorporated into the OATT L/SGIP
  - Meeting the FERC requirement to address an intra-zonal deliverability standard in the L/SGIP
- An “Network Resource” interconnection option would be offered for those resources that choose not to become capacity resources
  - The existing Minimum Interconnection Standard (MIS) and associated Schedule 22 and 23 provisions will be applied to “Network Resources”

# Capacity Interconnections

- Capacity Interconnections would have to meet following requirements:
  - Pursuit of completed Interconnection Process
  - Participation in FCM Qualification
    - Show of Interest
    - Interconnection Review
    - Overlapping Impact Review
    - Critical Path Schedule Review
  - Posting of FCM Financial Assurance
  - Clearing in the FCA



# Changes to the L/SGIP – Optional Analysis

- New Feature - Under an optional analysis, a developer can specify which earlier queued generation to model in the feasibility study and/or the system impact study
  - This would allow the generator to attempt to approximate the eventual outcome of the overlapping impact analysis
- In addition to approximating the eventual outcome of the overlapping impact analysis, the generator could study and interconnect with a subordinate Energy Interconnection status to earlier queued units
  - This feature would make use of the existing Optional Study and Construction Sequencing provisions of the Tariff

# Conditional Qualified Capacity Resources

- New option for Generating Capacity Resources
- A Lower Queue priority resource (Conditional Resource) with the same overlapping impact as a Higher Queue priority resource (Primary Resource) could “conditionally qualify” for the FCA along with the Primary Resource
- Both resources can offer their capacity in FCA
- If the Primary Resource does not post Financial Assurance then the Conditional Resource would no longer be Conditional and could proceed (as if it were Primary)
- If the Primary Resource withdraws from the FCA then the Conditional Resource may clear

# Conditional Qualified Capacity Resources

- Result is increased competition within the auction
  - More Resources can qualify for the FCA where overlapping impacts exist
  - Basic premise of FCM is that the Capacity Clearing Price is set by competitive new entry
  - New capacity resources need to be free from entry barriers
  - Interconnection Queue will be a smaller barrier to entry
  - A Primary Resource cannot block a Conditional Resource by qualifying for a FCA and withdrawing at the Start Price, or by failing to submit FA

# Long-Lead Facility Treatment

- Power plants with development life-cycles that are longer than the time between the FCA and the beginning of the Capacity Commitment Period will be allowed advance opportunity to study and “secure” transmission plans/obligations sufficient for FCM participation through the LGIP process

# Long-Lead Facility Treatment, *cont.*

- The resource would initially present a Critical Path Schedule in the same format as a resource seeking qualification for an FCA
  - The resource will provide updates to the CPS in advance of being considered in each FCA's group study for overlapping impact analysis
- Until the resource clears in an FCA, the resource will provide significant financial assurance in the form of an annual interconnection deposit in the amount of:
  - $0.25 * \text{CONE} * [\text{Requested Summer Capacity}]$
  - E.g. 300MW, CONE = \$6/kw-mo: Deposit = \$450,000/year

CONE = "Cost of New Entry" and changes based on the clearing price of previous FCAs

# Long-Lead Facility Treatment, *cont.*

- If the resource withdraws from the Interconnection Queue then:
  - A percentage of its submitted Long Lead Facility Interconnection Deposit if forfeited
    - If the resource withdraws after its second scheduled FCA then 10% of its deposit is forfeited
    - For each subsequently scheduled FCA, the resource forfeits an incremental 5% deposit
    - If the resource withdraws after its third scheduled FCA then 15% of its deposit is forfeited
    - If the resource withdraws after its fourth scheduled FCA then 20% of its deposit is forfeited

# Transition

- Existing Resources were grandfathered as Capacity Network Resources by the FCM Settlement Agreement
- Current Interconnection Queue positions are maintained
  - One time election to be considered as a Capacity Interconnection Request
- Completed Interconnection Agreements
  - Before August 1, 2008
  - Before January 1, 2009

