



Meeting: **Joint Reservoir Committee & Authority Board
Agenda Item 2.3**

March 17, 2023

Subject: **California Independent System Operator Interconnection Request**

Requested Action:

Reservoir Committee and Authority Board considers authorizing submittal of the California Independent System Operator (CAISO) interconnection request and paying an initial deposit fee of \$650,000, of which up to \$500,000 is refundable.

Detailed Description/Background:

The Sites Reservoir Project will require power for day-to-day operations and will generate incidental power upon releases of water from the reservoir. The generation of incidental power upon releases is expected to offset about half of the day-to-day power needs and the Authority plans to make a commitment in the Final EIR/EIS to secure renewable energy for all Project needs by 2045. By interconnecting with CAISO directly, the Project would have the ability to engage in the wholesale market, which has the potential to be more cost-effective than going through PG&E. These are the only two options that are available to the Project to secure the electrical power needs of the Project.

The proposed interconnection request would get the Authority into the long line of requests and initiate a lengthy study process that can take more than 2 years to complete. Securing electrical energy for the project is not critical until initiating operations, the date of which is still uncertain. On the surface, it may appear that making an application so far in advance of operations is not a prudent use of funds. However, the steps to getting cost-effective electricity to the project are numerous, cumbersome, and time-consuming which is why Staff is recommending the Authority proceed with this application now. The next opportunity to make this request is uncertain and the market changes occurring in this space make the availability of an opportunity uncertain. Staff is concerned that waiting for the next application window adds undue risk to not having electrical power ready when operations are initiated.

The interconnection studies evaluate resource adequacy, impacts on affected systems, and the Project's overall fit within the CAISO transmission planning process. The studies are performed based on CAISO tariff and in coordination with participating owners such as PG&E.

A potential concern is the dedication of a substantial portion of current project cashflow. There is a \$650,000 cash deposit required to be submitted with the interconnection request made up of the following fees:

1. Study Deposit = \$150,000 (partially refundable) – fifty percent (\$75,000) of the Study Deposit is refundable if the interconnection request is withdrawn prior to initiating Phase 2 studies.
2. Site Exclusivity Deposit = \$500,000 (fully/partially refundable, including interest) - a Site Exclusivity Deposit is required because the project is currently unable to demonstrate ownership of, has options to purchase/acquire, is a leasehold interest in, or has a permit/license/other right prescribed by the relevant authority to develop and operate the generating facility on the identified sites. The Site Exclusivity Deposit would be fully refunded upon demonstration of the above criteria. Fifty percent (\$250,000) of the deposit would be refundable if the Project is withdrawn prior to Phase 2 studies.

The assumptions and considerations related to the CAISO Interconnection Study process were presented and discussed with the Reservoir Operations & Engineering Workgroup on February 8, 2023. The Workgroup supports proceeding with the interconnection request within CAISO 2023 application window. If authorized, staff anticipates submitting an interconnection request for CAISO Cluster 15 between April 3rd and April 17th.

Prior Action:

None.

Fiscal Impact/Funding Source:

The Amendment 3 Work Plan included a \$400,00 estimate to meet the deposit requirements. The increase occurred in the exclusivity deposit amount. CAISO uses this deposit amount to discourage speculative applications. Staff proposes that a portion of the unallocated contingency be dedicated to cover this additional deposit expense. When the criteria are met, the deposit amount would be returned with interest. The costs to prepare the application and monitor the process are included in the Amendment 3 work plan and annual budgets.

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Primary Service Provider: HDR

Attachments: None.