

STATE OF NORTH CAROLINA UTILITIES COMMISSION
RALEIGH

DOCKET NO. E-2, Sub 1159
DOCKET NO. E-7 Sub 1156

BEFORE THE NORTH CAROLINA UTILITIES COMMISSION

In the Matter of Joint Petition of Duke)	
Energy Carolinas, LLC, and Duke)	PETITION TO INITIATE
Energy Progress, LLC, for Approval of)	RESOURCE SOLICITATION
Competitive Procurement of Renewable)	CLUSTER FOR
Energy Program)	CPRE TRANCHE 3
)	

NOW COMES the Carolinas Clean Energy Business Association (“CCEBA”), and hereby respectfully petitions the North Carolina Utilities Commission (“Commission”) for initiation of a Resource Solicitation Cluster (“RSC”) under North Carolina Interconnection Procedures (“NCIP”) Section 4.4.2 for the purposes of implementing Tranche 3 of the Competitive Procurement of Renewable Energy (“CPRE”) program (“Tranche 3”). As discussed further below, Duke has proposed to implement Tranche 3 via either the Transition Cluster Study (“TCS”) process set forth in Section 1.10.2 of the NCIP, or the first Definitive Interconnection System Impact Study (“DISIS”) set forth in Section 4.4. Either approach carries significant problems and complications. After extensive discussions with Duke and Accion Group, the CPRE Independent Administrator (“the IA”), and the Public Staff, CCEBA has formulated an alternative proposal for the implementation of the Tranche 3 interconnection study via a RSC, which is a superior alternative for the reasons stated below. CCEBA requests that the Commission direct Duke Energy Progress, LLC and Duke Energy Carolinas, LLC (collectively, “Duke”) to implement a RSC for purposes of carrying out Tranche 3.

Because the initial deadlines for the TCS are fast approaching, and time is needed for Duke, the IA, and CPRE participants to implement any guidance from the Commission, CCEBA respectfully requests that the Commission grant expedited consideration of this petition. A proposed briefing schedule is set forth below.

BACKGROUND

1. An essential part of the CPRE evaluation process is assessing the likely cost of upgrades to the transmission system that will be required to safely interconnect each proposed CPRE project. Because the cost of those upgrades is ultimately borne by ratepayers, understanding those costs is essential to ranking CPRE proposals by cost-effectiveness, and to determining whether any proposal meets the avoided cost cap established by Gen. Stat. § 62-110.8 and by Commission rules.

2. In CPRE Tranches 1 and 2 Duke used a CPRE-specific cluster study to complete a system impact study for CPRE applicants as part of the CPRE Step 2 evaluation process. CPRE Tranches 1 and 2 were conducted prior to the implementation of Queue Reform, and Duke utilized a resource solicitation cluster for each CPRE tranche that was conducted within the serial process then applicable to all non-CPRE interconnection requests.¹ Those studies were conducted under then-existing Sections 1.7.3 and 4.3.4 of the NCIP to facilitate a CPRE-specific system impact grouping study as part of the CPRE evaluation process.²

¹ Docket No. E-100 Sub 165, Duke Energy Carolinas and Duke Energy Progress 2021 Update to 2020 Short-Term Action Plan, NC REPS and CPRE Plan p. 58 (Sept. 1, 2021)(the “CPRE Update”).

² As discussed below, NCIP Section 4.3.4 was removed in the revised NCIP and replaced with Section 4.4.2 which permits the use of a resource solicitation cluster for CPRE or other procurement solicitations.

3. In Step One of the CPRE evaluation process, the IA completed the ranking of all proposals received during the CPRE RFP solicitation period and delivered the least cost combination of qualified resources below Duke's avoided cost rate to meet the solicited MW to Duke's evaluation team.³ In Step Two, the Duke evaluation team conducted the system impact grouping evaluation to determine if network upgrades were triggered and advised the IA of the Preliminary Estimated Upgrade Costs assigned to proposals with the studied combination. The IA then determined whether the original combination of proposals continued to present the highest ranked, least cost portfolio of resources to meet the solicited capacity or if a new combination of proposals should be evaluated. For purposes of conducting the CPRE cluster study, Duke assumed that all other projects in the queue at the time the study commenced, with certain exceptions, were included in the study baseline.⁴ After completing the CPRE cluster study and identifying the portfolio of proposals that represents the most cost-effective combination of needed network upgrades to achieve the solicited resource need, the cluster study phase of the CPRE solicitation concluded, and the CPRE RFP results were announced.

4. On September 1, 2021 Duke filed its CPRE Plan Update ("CPRE Update") with the Commission in Docket No. E-100, Sub 165.⁵ Duke stated in the CPRE Update that it plans to procure an additional 300 MW of resources as the final tranche of the initial

³ Duke CPRE Reply Comments, p. 24 (March 12, 2018).

⁴ See, Docket Nos. E-2, Sub 1159 and E-7, Sub 1157, CPRE Tranche 2 Final Independent Administrator Report, p. 29 (Feb. 12, 2021) ("The DEC base case was formulated by excluding all combined cycle plants queued before March 9, 2020 that did not have an executed Interconnection Agreement, and all projects that bid into CPRE that were not Advanced Stage. All remaining queued projects that were not duplicates from the same project were included in the DEC base cases.")

⁵ See footnote 1, *supra*.

45-month CPRE Program Procurement Period pursuant to N.C.G.S. § 62-110.8.⁶ Duke acknowledged that the implementation of Queue Reform “introduces an additional layer of complexity” regarding the timing of Tranche 3 based on the need to integrate a competitive procurement solicitation into cluster studies with established timelines approved by the Commission, the Public Service Commission of South Carolina, and FERC. Duke indicated that it had previously expected that Tranche 3 would align with the first DISIS cluster, but that due to delays in Queue Reform approval at FERC, and based on feedback from intervenors and Market Participants, Duke was “considering creative solutions to integrate Tranche 3 into the Transitional Cluster Study to allow for an earlier procurement.”⁷ Duke stated that “if Tranche 3 is not integrated into the Transitional Cluster Study, then Tranche 3 will be pushed to late 2022/early 2023 in order to align with the 2022 DISIS cluster” and noted that the “timeline required to integrate Tranche 3 with the Transitional Cluster Study is aggressive but appears feasible subject to guidance from the Independent Administrator (‘IA’) and stakeholder feedback.”⁸ Duke concluded that “[i]f a determination is made to integrate Tranche 3 into the Transitional Cluster Study, the Companies will inform the Commission regarding the timing of such integration and request any waivers needed to achieve such integration.”⁹

5. On August 17, 2021 Duke filed a Petition for Approval of Limited Modifications to the North Carolina Interconnection Procedures to Expand Transitional Cluster Study Eligibility in Docket No. E-100 Sub 101 (“Petition for Modification”). Duke requested that the Commission modify two provisions of the NCIP to expand the readiness

⁶ CPRE Update p. 58.

⁷ CPRE Update p. 59.

⁸ CPRE Update p. 59.

⁹ CPRE Update p. 60.

eligibility for the Transitional Cluster Study. For Interconnection Customers that have otherwise qualified for Transitional Cluster (i.e. have an assigned Queue Position prior to August 20, 2021; have executed a Transitional Cluster Study Agreement; have made a supplemental study deposit; and have provided evidence of site control), Duke requested that the Transitional Cluster readiness requirements be expanded to include any IC (i) that has received a CPCN issued by the Commission on or before the close of the 60-day transitional process enrollment window, and (ii) that is “offering to sell its output through a Resource Solicitation Process”.¹⁰

6. Duke explained that the delay in Queue Reform implementation has “created concerns for some newer Interconnection Customer-stakeholders that they would not be able to meet the Transitional Cluster Study eligibility requirements” and that due to the passage of time and the need to initiate a new CPRE Tranche 3 in the near future, the Transitional Cluster Study process “may be needed to accomplish the CPRE Tranche 3 generator interconnection studies.”¹¹ Duke stated clearly, however, that the proposed expansion of Transitional Cluster eligibility would only apply to Interconnection Customers in the queue as of the effective date of the revised NCIP, or August 20, 2021.¹²

7. The IA held CPRE stakeholder webinars on September 17 and 24, 2021 (the “September 17 Webinar” and “September 24 Webinar,” respectively) to present and discuss the possibility of aligning Tranche 3 with the Transitional Cluster process. During the September 17 Webinar, Duke provided stakeholders with the first detailed description

¹⁰ Petition for Modification p. 3-4.

¹¹ Petition for Modification p. 3.

¹² Petition for Modification p. 3-4.

of how Tranche 3 could be conducted as part of the Transitional Cluster including a tentative proposed schedule for the completion of Tranche 2 (the “TCS Proposal”).¹³

8. Duke emphasized that Tranche 3 “[b]idders must have a queue number as of August 19th, 2021 and meet eligibility requirements for Transitional Cluster.”¹⁴ During the meeting the IA acknowledged the challenge of simultaneously meeting CPRE goals and Queue Reform requirements, and the IA presented multiple issues along with initial proposals for resolution. First, the IA described the interaction between the CPRE Proposal Security, due at the end of CPRE Step 1 evaluation, and Transitional Cluster Phase 2 deposit, due prior to the beginning of Phase 2. The IA suggested that CPRE Proposal Security and the Phase 2 deposit could be due on the same date, the greater of which would cover both obligation amounts. Second, the IA identified that network upgrade charges for CPRE projects included in the Transitional Cluster process may change after the anticipated CPRE PPA execution date of August 2022 due to Phase 2 reallocation and possible Phase 3 restudy, and the IA proposed that if later network upgrade cost put the bid above the avoided cost rate, the bidder could either withdraw from the CPRE PPA without penalty or agree to pay the amount above the avoided cost rate. The IA and Duke indicated that these proposals were still under development and encouraged stakeholders to provide comments or alternative proposals through the IA website prior to the following stakeholder webinar.

¹³ September 17 Webinar, slide 11. CCEBA notes that the September 17 Webinar and the additional detailed provided by Duke during the webinar took place after CCEBA had filed its September 8, 2021 Comments in response to the Petition for Modification, and CCEBA therefore was not aware of these additional details prior to filing its Comments.

¹⁴ September 17 Webinar, slide 12.

9. During the September 24 Webinar, stakeholders continued to discuss potential options for the Tranche 3 evaluation and study processes. Duke continued to assert that it could “only offer alignment with the Transitional Cluster Study (TCS) or DISIS at this time and cannot agree to re-opening the Transition Cluster window.”¹⁵ During the meeting CCEBA presented a proposed alternative to conducting Tranche 3 as part of the Transitional Cluster. As discussed in greater detail below, CCEBA proposed that rather than including Tranche 3 as part of the Transitional Cluster, Duke establish a Resource Solicitation Cluster as permitted by Section 4.4.2 of the NCIP. CCEBA’s proposal was designed to (1) advance the resolution of the outstanding issues of combining CPRE Tranche 3 with TCS; (2) minimize program complexity and reduce interdependency with non-CPRE projects; and (3) maintain consistency with CPRE program precedent and market participant expectations (the “RSC Proposal”).¹⁶ In response, Duke primarily raised concerns regarding the timing of conducting both the Transitional Cluster Study and a resource solicitation cluster, and the resources necessary to complete both studies simultaneously. Duke indicated that it “is continuing to investigate the feasibility of a Resource Solicitation Cluster pre-DISIS Cluster 1.”¹⁷ Consensus was not reached during the stakeholder meeting, and the IA indicated that stakeholders may continue to submit written questions or comments through the IA Website.¹⁸

10. Based upon Duke’s CPRE Update, Petition for Modification, and materials provided and discussed during the September 17 Webinar and September 24 Webinar, CCEBA understands Duke’s current proposal to be as follows:

¹⁵ September 17 Webinar, slide 4.

¹⁶ September 17 Webinar, slide 7.

¹⁷ September 17 Webinar, slide 12.

¹⁸ September 24 Webinar, slide 22.

Figure 2: Duke's Proposed CPRE Tranche 3/Transitional Cluster process

Date	Event
November 30, 2021	Tranche 3 bid window closes
December 1, 2021	TCS Phase 1 (90-day power flow) begins
~March 10, 2022	CPRE Step 1 completed
~Feb. 28, 2022	TCS Phase 1 completed
March 30, 2022	TCS Phase 2 deposit <u>and</u> CPRE Proposal Security due
March 31, 2022	TCS Phase 2 (150-day) begins
March 31, 2022	CPRE Step 2 begins
May 31, 2022	TCS Phase 2 power flow re-run completed
June 15, 2022	CPRE Step 2 completed/Tranche 3 winners notified
July 15, 2022	Tranche 3 PPAs executed
September 1, 2022	DISIS study begins
August 27, 2022	TCS Phase 2 completed

Problems with Duke's Proposals

11. In stakeholder meetings, Duke has maintained that there are only two options for implementing the Tranche 3 interconnection study: either the TCS or the first DISIS cluster. Unfortunately, either alternative poses significant issues for participants and for the success of the CPRE Tranche 3 program.

12. If the Tranche 3 interconnection study were implemented in the TCS in the manner proposed by Duke, participation in Tranche 3 would be limited to projects already in the Interconnection Queue prior to August 20, 2021 (the TCS eligibility deadline).

Limiting Tranche 3 participation to projects already in the interconnection queue as of August 20, 2021, may unnecessarily limit the number of proposals that may be considered, which may ultimately raise the price of the total procurement.

13. Another problem posed by aligning Tranche 3 with the TCS is that the TCS requires interconnection customers to make significant non-refundable deposits before proceeding to Phase 2 of the cluster study. NCIP Section 1.10.2.3. These payments range from \$100,000 for Interconnection Customers 5 MW or less, up to \$800,000 for Interconnection Customers greater than 50 MW. Under Duke’s proposal, cost-competitive CPRE projects that advance to Tranche 3 Step 2 (and thus to the Phase 2 TCS study), but are ultimately not selected for PPA awards, would have to withdraw from Phase 2 of the TCS and would forfeit those deposits under the TCS Rules. NCIP Section 1.10.2.4.¹⁹ The significant financial risk associated with forfeiting the M2 payments may further discourage participation.

14. Notably, this requirement for CPRE bidders to post substantial financial security *prior* to securing a CPRE PPA award is contrary to the DISIS process, which allows ICs to move forward with the Phase 2 study process without additional financial commitment if the IC “is offering to sell its output through a Resource Solicitation Process.” NCIP Section 4.4.10.2(b). It is also inconsistent with previous CPRE tranches in which bidders were required to post a bid bond after being selected for the Competitive Tier as part of the Step 1 evaluation, but that payment was refundable in the event the project was not ultimately awarded a CPRE PPA. In contrast, the TCS Phase 2 deposit,

¹⁹ Although there are exemptions that may allow a project to withdraw from TCS Phase 2 without forfeiting its deposit, those exemptions apply only in narrow circumstances and likely would not offer relief to many CPRE bidders. NCIP Sec. 6.3.5.

which would be payable *prior* to CPRE PPA awards under Duke’s TCS Proposal, is non-refundable except under limited circumstances.²⁰

15. In addition, including all Tranche 3 bidders in the Phase 1 TCS analysis will result in an even larger number of projects being removed from the TCS process following the Phase 1 Study Report and prior to Phase 2 commitments, as less competitive CPRE proposals are released from Tranche 3 and withdraw from TCS. This will result in greater “instability” in the TCS study process, and greater uncertainty for non-CPRE interconnection customers who enter TCS Phase 2.

16. Similarly, under Duke’s proposal, once CPRE bidders in the Step 2 evaluation process (during TCS Phase 2) are notified that they have not received a CPRE PPA award, those projects may also withdraw from the TCS given that they may have no viable alternative offtake option at that time. Although such projects could participate in DISIS, additional project attrition during TCS Phase 2 will increase the likelihood of Phase 2 restudy and Phase 3, the necessity of which could delay the initiation of the DISIS study process or produce a non-firm baseline for DISIS study.

17. Duke has maintained that the only alternative to the TCS Proposal is implementing the Tranche 3 interconnection study through DISIS (the “DISIS Proposal”). But there are even greater disadvantages to delaying CPRE Tranche 3 until DISIS. First, this will result in an even longer delay in completing the procurement called for by HB

²⁰ See, NCIP Section 1.10.2.4 (stating that the Phase 2 deposit will be treated as a Withdrawal Penalty if the IC withdraws from TCS before reaching commercial operation, unless (1) the system upgrades assigned to the IC exceed the minimum deposit amount and (2) the cost responsibility for the Interconnection Facilities and Upgrades identified for that Interconnection Customer in the current study report increased by more than twenty-five percent compared to the costs identified in the previous report or the Utility determines that, consistent with Good Utility Practice, the withdrawal does not negatively affect the timing or cost to interconnect of equal or lower queued projects.

589, past the 45-month window called for in the statute, which expires on November 21, 2021. G.S. § 62-110.8(a), (b)(1).

18. More importantly, delaying Tranche 3 until DISIS begins (a delay of approximately nine months) will significantly reduce the ability of CPRE projects to capture the benefits of the federal Solar Investment Tax Credit, which is up to 26 percent for projects that commence construction in 2022, up to 22 percent for projects that commence construction in 2023, and only 10 percent thereafter. A reduction in ITC benefits for CPRE projects will translate directly to higher CPRE costs for ratepayers—although all CPRE awards must be below avoided cost, a reduced ITC may reduce the amount by which a given project may be priced below avoided cost, thereby increasing the PPA price ultimately recovered from ratepayers. So if, for example, CPRE PPAs were awarded in 2023 (which would happen under DISIS) instead of 2022 (as under the TCS or under CCEBA’s alternative proposal, described below) this could result in an increased procurement cost of 4% (or more, if PPAs or construction were significantly delayed).

19. Delaying Tranche 3 until DISIS also will not address the problem of “instability” that may be caused by including CPRE projects (the least competitive which will, of a certainty, withdraw from the queue) in a cluster with non-CPRE projects.

20. CCEBA raised these concerns about implementation of Tranche 3 via TCS or via DISIS on the September 17 and 24 Webinars, as well as in offline communications with Duke and the IA. In those discussions CCEBA proposed various alternative approaches and Duke expressed reservations about adopting any alternative to its current proposal. CCEBA has taken Duke’s expressed concerns into account and has formulated an alternative proposal for implementing Tranche 3 via a Resource Solicitation Cluster, as

authorized under the NCIP. CCEBA believes its proposal addresses Duke's concerns and represents the best approach to implementing Tranche 3 under the current circumstances.

21. Although CCEBA maintains that its RSC Proposal (discussed below) represents the optimal solution for conducting the interconnection study required Tranche 3, CCEBA also believes that despite the challenges and limitations described herein, aligning Tranche 3 with the TCS is far preferable to delaying Tranche 3 to DISIS.

REQUEST FOR RESOURCE SOLICITATION CLUSTER

22. CCEBA respectfully requests that the Commission order Duke to initiate a Resource Solicitation Cluster pursuant to NCIP Section 4.4.2 for the purposes of completing CPRE Tranche 3 within the schedule established by the North Carolina General Assembly in N.C.G.S. § 62-110.8. Using an RSC for Tranche 3 would avoid the key challenges inherent in incorporating Tranche 3 into the TCS as discussed above and would allow Tranche 3 to be conducted and completed in a manner consistent with previous successful tranches.

23. Duke's use of an RSC for CPRE Tranche 3 is expressly permitted by the NCIP. NCIP Section 4.4.2 states in part:

At any time, and solely for purposes of administering a Commission-approved Competitive Resource Solicitation, a Utility may initiate a Resource Solicitation Cluster. The Utility may administer the Resource Solicitation Cluster either separately or as part of a Definitive Interconnection System Impact Cluster Study initiated pursuant to Section 4.4.1.

Section 4.4.2 was adopted under the revised NCIP to allow Duke flexibility to separately administer a CPRE-specific cluster study in the event that the timing of the CPRE Program

does not align with an annual DISIS Cluster or, in this case, the Transitional Cluster.²¹ Notably, Section 4.4.2 provides broad flexibility regarding cluster eligibility, financial security requirements, and timeline, all of which can be customized according to the needs of the resource solicitation. In contrast, as Duke has described, the TCS is a standalone process with specific eligibility limitations, and strict timing and financial security requirements. This flexibility of the RSC, and the clear legal authority to initiate it, strongly support its application for CPRE Tranche 3.

Overview of CCEBA's Resource Solicitation Cluster Proposal

18. CCEBA proposes that a Tranche 3 RSC would be structured as summarized below. A more detailed description of the proposal, including a timeline and list of “frequently asked questions” (FAQs), is provided in **Attachment A**, attached hereto. The goal of the RSC process for Tranche 3 is to maintain consistency with the successful and well-established Tranche 2 process, and avoid the added complexity, potential delay, and uncertainty of combining Tranche 3 with TCS or with DISIS.

a. The Tranche 3 RFP process would begin as described by the IA during the September 17 Webinar, with the RFP bid window closing in late November or December, 2021, subject to reasonable extension if necessary as agreed upon by the IA, Duke, and Market Participants and if permitted by the Commission.²²

b. CPRE Step 1 evaluation would take place following the close of the RFP bid window and (assuming a 90-day Step 1 evaluation, consistent with CPRE Tranche 2) would conclude in early/mid-March 2022. Step 1 would consider (i) the

²¹ See Docket No. E-100, Sub 101, Duke Energy Carolinas, LLC and Duke Energy Progress, LLC's Queue Reform Proposal, p. 43 (May 15, 2020).

²² See September 17 Webinar, slide 13:

- Sept. 20: Duke provides draft RFP documents to IA;
- Sept. 20: Oct. 20: Stakeholder engagement and additional stakeholder meeting
- Oct. 20: PPA filed with NCUC
- Oct. 29: IA repot to Duke
- Nov. 15: Duke provides final RFP documents to IA
- Nov. 19: Tranche 3 RFP solicitation issuance date; bid window opens
- Nov. 30: Bid window closes

initial Net Benefits bid evaluation, (ii) notification of project's eligibility for the Competitive Tier, and (iii) posting of security/bid bonds by selected projects.

c. CPRE Step 2 evaluation would begin immediately following the initiation of TCS Phase 2. At the beginning of TCS Phase 2, interconnection customers will have definitively committed to Phase 2 by posting the Milestone 2 ("M2") security payment due prior to the beginning of Phase 2.²³ Therefore, similar to and consistent with Tranche 2's use of the existing interconnection queue at the time of the close of the RFP bid window to set the baseline for Step 2 evaluation, the projects definitively committed to the TCS Phase 2 process would set the baseline for the Tranche 3 Step 2 analysis.

d. Consistent with Tranche 2, CPRE Step 2 evaluation would include a system impact grouping evaluation to determine if network upgrades were triggered for projects included in the Step 2 evaluation, and Duke would advise the IA of the preliminary estimated upgrade costs assigned to projects within the studied combination. In order to maximize the probability that "clean" CPRE bids (i.e. those without substantial network upgrades) are selected, the IA would first evaluate CPRE projects located outside of congested zones to determine whether the 300 MW Tranche 3 allocation could be filled by such projects.²⁴ If not, the IA would evaluate bids located within congested areas and determine preliminary estimated upgrade costs for such projects. The IA would then re-rank the projects in Step 2 based on this network upgrade information and would select projects for CPRE PPA awards based on that revised ranking. Step 2 evaluation is estimated to conclude at the end of May, 2022.

e. CPRE PPAs would be awarded in June, 2022 and executed in July-August, 2022. Unsuccessful CPRE bidders would be removed from the RSC and would have the opportunity to enter the 2022 DISIS cluster during the DISIS enrollment window which closes June 30, 2022. NCIP Section 4.4.2 allows an interconnection customer in an RSC to reserve a queue position separate from the RSC, meaning that a CPRE project in the RSC could submit an IR for the DISIS process anytime during the DISIS enrollment window between January 1 and June 30, 2022.

f. Consistent with Tranche 2, CPRE awardees would move forward to Facilities Study Agreement execution after executing the CPRE PPA.

²³ See NCIP Section 1.10.2.3 (M2 payments equal to \$100,000 for Interconnection Customers up to 5MW; \$150,000 for Interconnection Customers greater than 5 MW up to 10 MW; \$200,000 for Interconnection Customers greater than 10 MW up to 20 MW; \$500,000 for Interconnection Customers greater than 20 MW up to 50 MW, or \$800,000 for Interconnection Customers greater than 50 MW.)

²⁴ In Tranche 2, Duke provided the IA and potential market participants with maps of constrained areas in DEC and DEP prior to the RFP bid deadline. CCEBA proposes that in Tranche 3 Duke and the IA would similarly provide guidance regarding constrained/congested areas in which project would be assigned network upgrades for purposes of Step 2 evaluation.

19. CCEBA presented the RSC Proposal to Duke, the IA, and other stakeholders, both at the September 17 and September 24 Webinars, and in separate discussions. Duke has thus far declined to adopt any proposal other than the TCS Proposal or the DISIS Proposal, citing concerns about its ability to implement the RSC Proposal.

Advantages of the RSC Proposal

20. Employing a Resource Solicitation Cluster to implement the Tranche 3 interconnection study addresses the challenges of using either TCS or DISIS for Tranche 3, and better aligns with the goals of the CPRE program.

21. As compared to Duke's TCS Proposal, the RSC Proposal will expand eligibility for Tranche 3, allowing bidders that were not already in the interconnection queue prior to August 20, 2021, to participate. Duke's TCS Proposal applies the multi-jurisdictional queue reform deadline for TCS to Tranche 3 applicants. By contrast, the RSC Proposal is not subject to this TCS-specific deadline and could therefore expand the pool of projects able to participate in Tranche 3, which may result in lower procurement costs for Duke and its customers.

22. Because financial commitments and other procedural requirements of an RSC can be established by the utility without altering the interconnection procedures (which may require approval not only of this Commission, but also FERC and the SC PSC), the RSC Proposal will not require CPRE Bidders to take substantial (and unnecessary) financial risks to enter Step 2 of the Tranche 3 evaluation process, as the TCS Proposal does.

23. Under the CCEBA proposal, the RSC's only direct reliance on the TCS timeline is the beginning of CPRE Step 2 evaluation, which begins immediately following TCS Phase 2 and the establishment of the Phase 2 baseline. This separation simplifies the RSC process and substantially reduces the complexities of conducting CPRE Step 1 and Step 2 evaluations within the TCS structure.

24. As compared to using DISIS, CCEBA's RSC Proposal will allow Tranche 3 to move forward as quickly as possible, which will maximize the benefit to ratepayers of the federal ITC, and will better accord with the CPRE implementation mandates of HB 589.

25. As compared to both the TCS Proposal and the DISIS Proposal, the RSC Proposal will reduce complexity and protect ratepayers from uncertainty by requiring a separate analysis of the grid impacts of Tranche 3 projects. As described above in Proposal Summary item (d), a critical question discussed by stakeholders during the September 2021 Webinars is how interdependencies between CPRE projects and projects in the TCS would be treated. For example, if a project in TCS were assigned a network upgrade that a CPRE project relied upon to interconnect, it is unclear how the IA should evaluate the CPRE project given that the TCS project could potentially drop out of queue, resulting in the upgrade upon which the CPRE project relied falling upon the CPRE project. Under CCEBA's proposal, for purposes of Step 2 evaluation, the IA would assume that the full cost of the contingent network upgrade would fall on the CPRE project. This approach favors "clean" CPRE projects (i.e. projects that do not rely on network upgrades of a lower-queued project) and protects ratepayers from any instability in the TCS cluster in the event TCS projects withdraw from the queue. Further, in order to maximize the probability that

“clean” CPRE projects are selected without Duke being required to complete substantial network upgrade assessment and interconnection cost estimates, CCEBA’s proposal would allow the IA and Duke to attempt to fill the 300 MW Tranche 3 allocation with projects located outside of congested zones and therefore much more likely to avoid required network upgrades.

26. A final advantage of the RSC Proposal is that because it proceeds under the existing provisions of the NCIP, SCGIP, and OATT, it may be implemented without additional regulatory approvals from the SC PSC or FERC. Because Duke has not filed a similar Petition for Modification with the SC PSC, it appears that the proposed expanded eligibility for TCS that Duke requests in North Carolina would not be extended to potential CPRE bidders located in South Carolina. This would have the effect of further limiting the Tranche 3 applicant pool, resulting in potentially higher PPA award prices, and would be inconsistent with prior CPRE practice and requirements. In contrast, the RSC Proposal would permit such South Carolina projects to participate under the flexible structure of an RSC without additional approvals required at the SC PSC or at FERC.

The RSC Proposal is Feasible.

27. CCEBA’s RSC proposal is likely to be only slightly more resource-intensive than the TCS Proposal or the DISIS proposal, limited to the completion of CPRE Step 2 evaluation during the concurrent TCS Phase 2 process.

28. Under the RSC Proposal, interconnection study of CPRE projects would be performed in the same way that it was done for CPRE Tranche 1 and Tranche 2 – in a separate, CPRE-only cluster study. This is significantly simpler than merging the CPRE study into either the TCS or DISIS.

29. As compared to the TCS Proposal, the RSC Proposal will require Duke to perform only one additional study: a power flow study of the CPRE proposals that proceed to CPRE Step 2, using the TCS Phase 2 projects as a baseline. CCEBA's proposal will also simplify the TCS by removing CPRE projects from the TCS cluster (which as discussed above will reduce the "instability" of the TSC study).

30. Based on the experience and expertise of its members, CCEBA believes that its proposal is feasible and will not result in additional delays or complications to TCS, DISIS, or CPRE Tranche 3.

31. Accordingly, CCEBA requests that the Commission direct Duke to begin implementation of Tranche 3 via a Resource Solicitation Cluster, along the lines proposed by CCEBA, as quickly as possible.

REQUEST FOR EXPEDITED CONSIDERATION

32. CCEBA respectfully requests that the Commission consider its Petition on an expedited basis. The reasons for the request are as follows:

- a. As discussed above, it is essential that Tranche 3 implementation move forward quickly, and not be delayed to DISIS. CCEBA believes that the RSC Proposal represents the optimal means for implementing Tranche 3. However, if the Commission denies this Petition, CCEBA strongly prefers that Tranche 3 be implemented via the TCS rather than delaying it to DISIS.
- b. The Customer Engagement Window for TCS, and the bid deadline for Tranche 3 under the TCS Proposal, fall on **November 30, 2021**. If the TCS Proposal is to move forward, the Commission must resolve

Duke's Petition for Modification as well as this Petition no later than that date.

- c. However, as a practical matter the Tranche 3 RFP document must be modified and guidance must be provided to CPRE bidders significantly in advance of that date to be meaningful. CCEBA respectfully submits that a Commission decision in **early November** would provide adequate lead time for Duke, the IA, and CPRE participants.
- d. In an effort to facilitate a swift resolution of the Petition, CCEBA requests that the Commission direct Duke, the Public Staff, and any other interested parties to file responses to the Petition by **October 18, 2021**; and that CCEBA be directed to file a Reply no later than **October 22, 2021**.

CONCLUSION AND RELIEF REQUESTED

CCEBA appreciates the efforts of Duke, the Independent Administrator, and the Public Staff to engage with interested parties in the implementation of CPRE Tranche 3 on a timely basis. CCEBA also agrees that implementation of Tranche 3 via TCS is a superior option to implementing it via DISIS, because of the significant delays that would result from that option. However, for the reasons stated above CCEBA believes that its RSC Proposal is feasible and represents the optimal solution for implementing Tranche 3 on a timely basis, consistent with the goals and timelines of the CPRE statute.

WHEREFORE, CCEBA respectfully requests that the Commission grant the following relief:

1. Enter a Procedural Order directing Duke, the Public Staff, and other interested parties to file Responses to the Petition no later than October 18, 2021; and directing CCEBA to file a Reply in support of its Petition no later than October 22, 2021; and
2. Direct IA to implement CPRE Tranche 3 via a Resource Solicitation Cluster prior to the first DISIS cluster, as authorized by Section 4.4.2 of the NCIP; and
3. Engage with CCEBA and other stakeholders on the specific design of a RSC, using the RSC Proposal as a starting point; and
4. Award such other relief as the Commission deems just and proper.

Respectfully submitted, this 5th day of October, 2021.

/s/ John D. Burns
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CERTIFICATE OF SERVICE

I hereby certify that all persons on the docket service list have been served true and accurate copies of the foregoing filing by hand delivery, first class mail deposited in the U.S. mail, postage pre-paid, or by email transmission with the party's consent.

This the 8th 5th day of October, 2021.

/s/ John D. Burns
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