00:00:00 MEREDITH BRASELMAN: Hello and welcome to the Transmission Facilitation Planning NOI Webinar, I’m Meredith Braselman with ICF and I’ll be your host today. A few housekeeping items to get us started. This WebEx meeting is being recorded and may be used by the U.S. Department of Energy. If you do not wish to have your voice recorded, please do not speak during the call. If you do not wish to have your image recorded, please turn off your camera and/or participate by phone. If you speak during the call or use a video connection, you are presumed consent to recording and use of your voice or image.

00:00:32 All of our participants today are in listen only mode. If you have any technical issues or questions, please do type them into the chat box and select send to the Host. We will be taking questions today. You may submit them throughout the event using the chat function. We will have a Q&A session after the presentation. When you submit your questions, we ask that you reference the speaker or specific topic when you submit your questions so that we can go through the Q&A quicker. If you need to view the live captioning, please refer to the link that will appear in the chat.

00:01:05 And finally, because this is a question we get a lot, we will post a copy of today’s presentation on the Transmission Facilitation Planning webpage by Tuesday. The slides will also have the contact information for our speakers and their teams. And the recording of today’s webinar will be available on that same webpage in about two weeks so we can ensure Section 508 compliance.

00:01:27 So with that, today I’d like to welcome Michelle Manary, Acting Deputy Assistant Secretary for the Electricity Delivery Division in the Office of Electricity, and Bill Magness, Senior Consultant with the Department of Energy. They’re going to provide an overview of the Transmission Facilitation Program request for information followed by your Q&A session. So now I’m pleased to hand this over to Michelle and Bill to get us started.

00:01:53 MICHELLE MANARY: Thank you, Meredith, and thank you everybody that has signed on today to help us to define this program, to help us with feedback. Today really is about answering questions, getting clarification, it’s for you to kind of talk to us in real time, and help answer those questions. We understand we’re in the middle of a comment period, which is wonderful, so please make sure that, where appropriate, where you want to, that you comment back to us in the RFI just so we can make sure we’re getting this program as successful as possible.

00:02:34 So overall, the goal is make sure the program is successful, that it’s implementable, that it makes sense to industry, and that’s why we need your feedback because when you’re looking at a program that goes across the nation, there’s all different flavors under there, and I know we’re not going to catch them all which is why we’re asking for your feedback.

00:02:55 So today, you’re going to see kind of where this is in the bigger Building a Better Grid initiative, this is one piece of it and so I’m just going to hit on that. Hit the highlights of what’s out there in the Notice of Intent/RFI. And then talk about where we’re at in the feedback, the stakeholders, and the upcoming kind of what’s next, and then open it up for Q&A. So next slide.

00:03:21 Really talk about the issue. And I know a lot of you know this, but it’s important to understand that, kind of the bigger picture, the need. We have resiliency issues, we have – We are seeing more and more of the extreme weather events and so it really is causing us to think about, us being the industry, to think about our transmission grid, especially since it’s aging, it’s older, it was built for one type of activity. We’re changing. So it’s not a generator to load anymore, you have the load side management as well.

00:03:59 And as a number of states are really thinking about and going towards, have goals, decarbonization goals, as well as the federal government, and it can look a number of different ways. It doesn’t matter if it’s nuclear, or carbon capture, or wind, or solar, or anything like that, we need transmission to get the electrons to the load. And so basically that’s why part of the Transmission Facilitation Program is here in order to help enable and accelerate that. Next slide.

00:04:36 So with that it’s, like I said, a bigger part of a Building a Better Grid. We’re in the middle section. So this is the federal financing tools, so this is one of them, the Transmission Facilitation Program, but it really is that one piece of the puzzle that helps pull the whole puzzle together, and so I wanted to, in context, we have a lot of going out to, you know, a lot of notice of intents and requests for information, so I just wanted to make sure that people are grounded on what this piece and what this notice of intent and request for information in the bigger context. Next slide.

00:05:12 So with that, this is kind of the quick highlight and I’d say the green arrow on the right is the goal, accelerate transmission deployment. And so there’s this, this program can do that in one of three ways, so it’s very unique in that it has different aspects depending on the needs of the developers. And so we’ll – Bill, will hit some of those things, but it really is that $2.5 billion dollar revolving fund. This program does not go away after five years, it is ongoing, and so this is one that, even though it is part of the infrastructure bill, it is an ongoing program, and that revolving fund will kind of push the money out depending on which blue box in the middle – capacity contracts, public-private partnerships, or loans.

00:06:02 And then as soon we accelerate deployment and then as soon as we’re paid back, we reload it. So it really is, our goal is to make sure that the projects that need it, that kind of acceleration component will get that, federal government gets in, and then gets out as quickly as possible, and gives all that capacity back to the industry. And so with that, I’ve kind of hit the three, but that’s in a nutshell the high level. It’s really focused on new transmission development or large upgrades, and Bill will hit kind of the details under that, but this is a program really focused on kind of that larger transmission builds or upgrades. Next slide.

00:06:49 So with that, where are we at? We’re in the middle of a comment period and comments are due by June 13th, so you have a couple more weeks. You can see here where to submit comments electronically and we appreciate those. And this is a really important one, you’re not required to answer all of the questions. Please go through, pick and choose the ones that are salient to your organization or your approach and help us with those. We’ve peppered out a lot of questions trying to think through, think about all the different areas that we do actually have questions for the industry, and please pick those and reply to those. Really appreciate that.

00:07:31 With that, I’m now going it to turn over to Bill Magness, who’s one of the leads of this program, to go through some of the more specifics. Bill?

00:07:41 BILL MAGNESS: Thanks, Michelle and thanks everyone for coming if you’re interested in the Transmission Facilitation Program. I think Michelle has pretty effectively covered the why. So we’re kind of going into the who, what, when, where type topics to be sure we sort of cover the waterfront for people’s understanding of how we see the Transmission Facilitation Program rolling out and working.

00:07:59 So start with who. The eligible entity definition in the statute is very simple, it’s an entity seeking to carry out an eligible project. Now we’ll talk about what the eligible projects are. As Michelle said, the construction or improvement of transmission facilities. But, I think it’s important just to note at the outset, it is a very broad category. It could be investor-owned utilities, public power agencies, not-for-profit electric utilities, independent developers, it could be states, tribes, or other governmental entities. So there really is no who restriction on who applies for facilitation from TFP.

00:08:37 So going onto the next slide, the where. Similarly, this is a nationwide program. There’s not a specific restriction to transmission projects in organized markets, in other parts of the country, all of those are game, all of those are places where we can see and encourage applications. And in particular, there is one part of the program though that is limited which is the part of the program that allows isolated microgrids to be interconnected. Those have to be located in Alaska, Hawaii, or a U.S. territory. We’ll talk a little bit more in a bit about the specifics there.

00:09:14 But, while we’re on the where, I also wanted to mention that the statute says, you know, depending on where these projects are, there’s going to be need for consultation with various stakeholders, and it’s something we talk about in the RFIs. Like, what are the best ways to do that, to ensure that the transmission investments that the program is facilitating are effective and make sense within the geographic regions where they’ll exist?

00:09:38 The statute requires that when we do capacity contracts that DOE has to have a consultation with transmission planning regions. As you see the statutory language there, to minimize duplication or conflict with the regions, needs determinations, and its selection of projects. So DOE wants to ensure that whatever projects that we are facilitating through this program are going to make sense regionally. And I think whether it was required by the statute or not, as we looked at this program the need to consult with not only regional planning organizations, but states and other authorities is going to be very, very important as we consider applicants.

00:10:15 And then finally on the last sort of where item, the public-private partnership, which we’ll describe a bit in a minute, those can be located in areas, National Interest Transmission Corridors, it’s not required, but when you look at the statute there is sort of a link between the use of the Transmission Facilitation Program resources and public-private partnerships to those designed corridors under the Federal Power Act. So the next slide.

00:10:46 It gets to the what. So what is this program for? What is an eligible project? Well, it’s got to be one of three things. Construction of new or replacement transmission lines of at least 1,000 megawatts. So pretty large projects, new projects that are looking to get built. It can be an upgrade of existing transmission lines or construction of new lines if they’re in existing transmission, transportation, or telecommunications corridors, but those have to be at least 500 megawatts.

00:11:14 So if you’re upgrading in existing corridors, it’s 500 megawatts new or replacement transmission lines or at least a 1,000 megawatts, and of course any of these can be over those minimum numbers as well. And then I mentioned the connection of microgrids. This provision of the statute says that TFP resources can be used to connect microgrids in Alaska, Hawaii, or a U.S. territory to existing transmission, transportation, or telecommunications infrastructure corridors.

00:11:44 So if there are situations in those specific geographic areas where a microgrid has not been able to connect, there are already corridors there to connect, Facilitation Program support can be used to make that happen in those areas. Next slide.

00:12:01 Continuing on the what. When selecting projects DOE has to make a couple of certifications under the statute. And I think these certifications give you a pretty good sense of what the Transmission Facilitation Program is really trying to get at, what it’s about. And, you know, to step back, as Michelle referenced, one of the challenges of transmission deployment is there seems to be a lot of chickens and eggs littering the scene where it’s difficult to get a line financed, if there isn’t sufficient off take established or sufficient customers for transmission, it’s difficult to get the transmission customers to sign up if they don’t think the line is going to happen.

00:12:41 So what the TFP intends to do, particularly with the capacity contracts, which we’ll talk a little bit more about in a minute, is to try to resolve some of those chicken and egg situations. But, in order to get into one of those projects, the statute requires that DOE has to show that the project, without support from the TFP, is unlikely to be constructed in as timely a manner or with as much transmission capacity if it doesn’t have facilitation.

00:13:09 So one of the things that we’ll be looking for in applications is help us to understand sort of the chicken and egg situation you may be in, what is it that’s inhibiting a project from getting built, and as folks in transmission development know, there can be many source of inhibition, but if it’s that financial problem of getting capacity lined up that this could really help with, this could be an excellent tool, whether through the capacity contracts, the loans, or the public-private partnerships to resolve that sort of issue.

00:13:38 And that’s the kind of representation we’re going to need to have in order to make the certification required in the statute. And then the second certification is that these projects have to be able to create proceeds that are going to pay this back. Michelle referenced this, this is a revolving fund, these are not grants, these are capacity contracts where the DOE is expecting revenues coming in from the capacity that it is purchasing through these contracts or loans that need to be paid back like commercial debt would be paid back, public-private partnerships, all of those there’s an expectation and we have to show when we support a project at TFP that there is a prospect that those funds are going to get repaid.

00:14:24 And it’s a very important part of the structure of the TFP because this revolving aspect of it is pretty critical. The $2.5 billion dollars, you know, ideally would be dedicated to projects, those projects would get over the hump, would find themselves successful, and able to get built, resolve that chicken and egg problem, then our capacity would be sold to private interests or to folks who want to actually use that capacity. And the DOE would be out of the project and we could take that $2.5 billion dollars and continue to recycle it into additional transmission deployment and expansion.

00:14:57 So those are the two key things that we’re going to need to see from applicants that you really need the support, but you got a good project that’s going to be able to support itself and repay the money that DOE would put through in TFP. Next slide.

00:15:13 And then in looking at which of these applicants to choose, the statute requires that DOE has to identify some priorities and then judge amongst them which of the best, which are the best projects to support. And those include the use of technology that enhances capacity, efficiency, resilience, or reliability of transmission systems. I know a lot of people have expressed interest in grid enhancing technologies, other kinds of technologies that can make our system as we expand it even more efficient, having more transfer capacity, more capacity on existing amounts or right aways in existing lines.

00:15:52 So using that technology and showing that you’re demonstrating that with a new project is going to be an important factor. Improving the resilience and reliability of an electric powered transmission system. A lot of why we need more transmission deployment is to address issues that we already have on the system today. Areas where we could certainly enhance reliability, enhance resilience, whether it’s a weather event or to other developments on the system, whether the load increases. And these projects, to the extent they can show they enhance reliability and resilience, that’s going to be a key factor in getting TFP support.

00:16:28 Third is facilitating interregional transfer capacity. And that’s sort of a subset of the resilience and reliability issues, but one that’s really critical and it’s an area that’s been very difficult for cost-allocation reasons, for other various reasons to get these interregional large projects built, and I think the TFP is a way to try to be creative and use some of the tools that we have available to get some of those interregional projects, that, you know, often people in both regions in an interregional project know this could be important, know it could be useful, but it’s just difficult to get it through, and we hope these tools will help there.

00:17:03 And then finally, projects that are going to help reach national or sub-national, state, or other goals to lower electricity sector greenhouse gas emissions. As Michelle referenced, transmission used to be shorter in a lot of cases because we were not connecting distant generation to loads, but as we’ve seen as the wind and solar build-out in the United States has occurred in pretty rapid fashion over the last few years, we see that the locations of those best solar and wind resources are often not real close to the load or population center, so you need these lines that were not build before we had those needs, and we see a lot of the lines, that are in the sort of chicken and egg situation I discussed, are ones that could have very important impact on lowering greenhouse gas emissions by unblocking resources that are out there particularly for solar and wind all over the country.

00:17:59 Next. So, how? How are we going to do this? What does the TFP do? Michelle referenced the three tools we have. The first is capacity contracts and in a capacity contract DOE can serve as an anchor tenant, that’s often how this provision is discussed is an anchor tenant provision, on new and upgraded transmission lines. And we do that, and I’ll describe this in more detail in a following slide, but by buying up to 50% of the planned capacity on a line and that the term of that purchase can be up to four years.

00:18:32 As we’ll discuss, we’d like to recycle that money quicker and we think it’s going to make sense to recycle it quicker as projects get built, but that’s the overall concept of the capacity contract. The second is loans. And these are – You know, if you’ve done with the Loan Programs Office, these are similar to commercial debt where we would issue a loan using some of the $2.5 billion dollars in the Transmission Facilitation Program and that would be repaid over time under contractual terms.

00:19:00 And then the public-private partnerships we referenced where DOE would actually participate in designing, developing, constructing, operating, maintaining, perhaps owning a project. Those are limited to projects that are either in the National Interest Transmission Corridors or projects that are found to be necessary to increase electricity demand across states or across the transmission planning region.

00:19:24 So those are the three tools. And I think in the next slide we’re really going to start to drill down into the capacity contract. That’s a very unique tool that the Infrastructure Act provides and one that we’re really focused on. And as we’ve stakeholders, probably lots of you as we’ve talked as we’ve developed the approach to the program, one of the ones that is more interesting to a lot of developers of transmission out there looking for facilitation.

00:19:53 And so, again, the DOE can be this anchor tenant. That is we buy capacity on a proposed transmission line. We don’t own the wires, we don’t own the poles, we’re capacity customers. And then ultimately, we would want to be contracting with a third party to market that capacity. The statute requires that DOE is to maximize the return to the federal government on the dollars that the Transmission Facilitation Program makes available.

00:20:21 Once we have that capacity position, I think the concept is that that is going to help the developer find other capacity customers, get the line over the finish line, get construction started, and the project moving. And as I know a lot of you know who are in the transmission business, if you can get, you know, if you can get all the permitting done and the land use, you can get the project under construction, you’re probably going to see it fill up with load.

00:20:45 Often it’s the difficulty of getting the transmission line under construction that’s the key. And what the TFP hopes to do is provide that assistance on the frontend to provide some assurance to lenders or others who can help get the project underway, then we would sell that transmission capacity to folks who want it, and that’s how we recycle the money back into the program.

00:21:07 And then the capacity contract, as I mentioned, represents, you know, the right to schedule or use transmission for the term of the agreement. The form of the contract, something that we ask – We had a fair amount of text in the NOI, the Notice of Intent, we asked some question in the RFI about what these contracts should look like because they are unique contractual forms under this statute, and want to be sure that we’re thinking through how those need to look, not only to protect the federal government’s interest, but to make them effective, to make sure that they do the job that TFP is meant to solve.

00:21:43 So we want to really hear from folks in all parts of the United States about kind of what are your issues around what those contracts should look like to be effective, to make them meaningful, and that may differ depending on where you are in the country, and what kind of power system you operate in, or what kind of transmission developer you are.

00:22:01 And then the payment for the service, the transmission service obviously doesn’t start until the transmission line is built and is delivering power. So it could be that DOE will provide this assurance, this transmission contract for a certain percentage of the capacity. The line goes through and is able to get built with that assistance. We may sell out that interest to a private party before there are any funds extended even. That’s a potential outcome if we can move these along and that helps us continue to recycle the money and continue to have more and more available for transmission deployment. Next slide.

00:22:43 So the when. How are we planning to roll this out? This is described in some detail in the NOI and we ask questions about it in the RFI, but because we heard so much about the potential efficacy of using the capacity contracts for some of the projects that need that assistance to get over the hump, we decided to try to focus on capacity contracts in the first solicitation under the TFP.

00:23:11 So looking at it, we said okay, what we’re hearing is these capacity contracts can help projects, help primarily projects that are pretty far along, but need to solve their particular financial chicken and egg problem. So what we’re asking is in the first solicitation for applicants that want capacity contracts and have projects who could reasonably be completed by the end of 2027.

00:23:35 As you all in the business know, after you start construction is still takes several years to get these large transmission projects built, so we wanted to say let’s try to get some projects that are close, but have said they need this sort of facilitation that TFP can provide and make that the first ones out of the gate. Then in 2023 and beyond we’ll look at an additional solicitation to receive more applications and consider, you know, capacity contracts, should we open up the public-private partnership or the loan provisions, fitting in the microgrid projects as well.

00:24:10 So we’ll start out with the capacity contract product and try to work with that first Now that said, and you can probably go to the next slide, one of the things – Yeah, go ahead and go to the next slide. Yeah, one of the things we’re going to ask for, we did ask for in the RFI is, is this a good idea? We heard from a lot of folks in the industry that the capacity contract vehicle was the one they were most interested in, that we ought to start with, but again, if people have views on that, we’ve asked questions about that, as well as how we should consider applications as they come in.

00:24:47 What kind of factors should we be looking at? What’s the ongoing process for reviewing these applicants? How much due diligence? What that ought to look at as we get these contracts setup. And then one of the key questions where we would like input is how we measure the various benefits that we’re supposed to be measuring against in the statute like, how we measure one project proposal over another on resilience and reliability, on the amount of greenhouse gas reductions, and then on interregional power transfer.

00:25:19 All those factors that we have to consider and demonstrate that we have, what are the best ways to measure those and measure projects against one another as they come in? And then finally, we ask questions about the form of the capacity contracts that we outlined. We didn’t provide a form contract, but provided an idea of the kind of contract that we could see using for the capacity contract vehicle.

00:25:46 We’re going to have some discussion, more focused discussion later in the summer about capacity contracts and make sure, as we’ve said, we’re not only thinking about what’s the best most feasible, marketable, useful formats for doing these contracts to both protect DOE’s interests and getting the money back, also make sure that they’re effective for the developers, and we really want to hear about that from folks in all different parts of the country.

00:26:13 Because as we talk to people in different parts of the country, the markets you’re in, the contractual frameworks you’re accustomed to could make a difference in whether something is remarketable, and if this capacity is not remarketable, that’s bad news for the developer and for DOE. So it’s something we really want to talk to people more about in detail and get ideas.

00:26:31 Again, the RFI responses are due on June 13th, so we really look forward to hearing from you on those. And I think with that, I’ll turn it back to Michelle.

00:26:41 MICHELLE MANARY: Thanks, Bill. Can we go to the next slide? So, what’s next? Bill and I, especially Bill kind of did a quick flyover, kind of hit the main areas, the main topics, the main areas we are thinking for feedback, how we’re thinking about this project, how Congress has set it up. And so, as I think we said multiple times, we’re looking for feedback.

00:27:06 And so today we have the public webinars and not only is it posted, but there’s a number of folks who are asking Q&As, thank you for that, and so that will also be posted. And then comments due June 13th. We are also going to aim for the August timeframe, a Technical Conference on Capacity Contracts. What that means is have some –

00:27:35 Making sure what Bill talked about kind of in that last RFI question is, do these work? Are these the type – These are the type of contracts we’re thinking about, do they work? Maybe have some feedback from each of the regions and what would work, but we’re really focused on the contract itself, that’s why it’s called a Technical Conference. It really is about the contracts itself and what these mechanisms look like.

00:27:59 And so we’d like to do that upfront before the solicitation goes out in order to have some kind of known, something what’s known in the industry and make sure it works for folks all across the country because of those unique designs in different parts of the country. We want to make sure that’s all figured out ahead of time. And they’re aiming for September, but first it’s solicitations for the capacity contracts.

00:28:25 So that was that Phase 1 that Bill was talking about, but for capacity contracts only and get that out on the street for those solicitations. We do think about that Phase 2 that Bill talked about and we’d look at that in the next calendar year, same thing with an RF, an NOI, an RFI, really think through some of the details of the public-private partnerships, of the loans, as well as the ongoing capacity contracts, kind of what that looks like in an ongoing basis. And so that’s kind of the general timeframe that we are thinking about. Next slide.

00:29:09 I also want to do a plug, kind of an commercial or a plug for the Good Jobs Summit. So next month, June 21st, you can read this here, but we would like to let folks know that this is going on. Please, if you want more information or to register, you see the link down below. But, this is something that we want to make folks aware of and, kind of the bigger picture, what we talked about at the beginning. This is another kind of opportunity for folks to get information in different areas.

00:29:43 So with that, I’m going to turn it back to Meredith and she’s going to talk and kind of lead us through the Q&A session.

00:29:53 MEREDITH BRASELMAN: Thanks so much, Michelle and thank you, Bill. We have a lot of questions that are coming in, so we will try to get to as many of them as we can. So attendees please continue to put those Q&As into the chat and we’re going to do our very best to get through as many as we can. Before I get started, a reminder, that both a copy of today’s presentation will be available on the Transmission Facilitation Planning webpage by Tuesday and a recording will be available on that same page in about two weeks.

00:30:23 Alright, Michelle and Bill, let’s get started here. Kate, I’m going to ask you to go back to slide two because that is where our first question is. And that is, how do loan guarantees fit into the options on slide two with three options? Bill, do you want to take that one?

00:30:44 MICHELLE MANARY: Bill?

00:30:49 BILL MAGNESS: Yeah, so the federal financing tools that we’ve identified here, I mean, of course we highlight the TFP because that’s what we’re here to talk about, but I think we’re really noting that there are several different programs under the bipartisan infrastructure law that become available, the Smartgrid Investment Program, the Resilience Grants. And participants really need to look closely at each of these because some of those are directed towards states, tribes, government, others are directed towards particular types of utilities or power providers.

00:31:18 And then we also noted that there are existing loan guarantee programs at WAPA and at the Loan Programs Office, Loan Programs Office is not specifically focused on transmission, but they’ve done transmission projects and other ones are in the pipeline. So there are sort of a suite of opportunities that we suggest that transmission developers look at. And it may be that there’s potential mixing and matching of different programs, but really just urge folks to look at each one of those because they may provide the type of assistance that a particular project needs to move forward.

00:31:56 And that could be done through loan guarantee, that could be done through working with your state, or that could be done through a capacity contract with TFP.

00:32:06 MEREDITH BRASELMAN: Next, it regards slide ten and this is for you, Michelle. Slide ten describes the eligible applicants. Is there any limitation on a regional transmission organization from applying?

00:32:21 MICHELLE MANARY: Yeah, that’s a good question, Meredith. So this is very broad, as Bill said. And so I think the requirements are more on the eligible product, not on the eligible entity. And so we can see – That’s why we put a lot of other things. It doesn’t say anything about the entity building it, it just gives the requirements on the projects and so we see this as very broad.

00:32:48 MEREDITH BRASELMAN: Okay. Another RTO question. How will capacity contracts work in RTO regions that do not use a contract path methodology for assigning available transfer capacity?

00:33:02 BILL MAGNESS: I think that is exactly one of the issues we’re looking at as we shape up these contracts. Because as we mentioned in the NOI, you can conceive of this fairly simply as if it’s a point to point kind of arrangement, right, but in the ISOs and RTOs often that’s not what you’re looking at, you don’t have those sorts of vehicles. So that’s something we’ve been in discussion with the ISO RTO Council about as well as market participants is, what’s the most useful way to frame up this tool that helps folks get over the hump when they’re dealing in situations where you don’t have that kind of capacity contract?

00:33:37 So that’s something, again, as we’ve emphasized, why we really want to see the input from folks, particularly participants, developers, and the RTOs and ISOs themselves in those regions to help us understand what’s the best vehicle to make this useful in your market or in interregional projects between your markets.

00:33:59 MEREDITH BRASELMAN: Next question, will DOE exit its capacity contracts for projects that fail to enter service by 2028?

00:34:08 MICHELLE MANARY: That’s a good question and maybe one for Peter. So I think that’s something that we need some of those questions to think through and figure out the – if you don’t meet the expectations of the contract what that looks like. It is way over my [unclear]. So I don’t know if Bill or Peter wants to answer that.

00:34:30 BILL MAGNESS: I guess I’d add, as we framed up the first solicitation, you know, we’re trying to emphasize that we’re looking for projects that are well along their way. If you had not started your land use or your permitting or any of your other activities, if you are a transmission project that is just the glimmer in someone’s eye right now, this is probably not for you.

00:34:50 And so, you know, there’s no legal requirement on that date, it’s sort of a way to cabin the first set of applications. So I think issues around that and I think issues around performance more generally, not just about dates, but about other issues that might arise as a project is being completed are things we’re going to have to identify and make very, very clear in the contractual agreements themselves. So I think that’s where you see that worked out and that’s going to be need worked out in each particular applicant that gets support.

00:35:23 But, there’s not a magic date, it’s just sort of way to demonstrate that we’re looking for, in the first solicitation, projects that are probably well along their way.

00:35:34 MICHELLE MANARY: Thank you, Bill. And I would add to that also that we are starting with – since this is a common capacity contract, we’re starting with what’s already out there. We’re not trying to recreate something new, but we’re really trying to utilize what’s out there and then figure out how it works for DOE. And so we’ll be looking to kind of the general contracts out there already.

00:35:56 BILL MAGNESS: I can just echo that point that Michelle just made because it’s really important to think about is remember, you know, whatever capacity rights DOE holds ultimately need to be transferred to entities that need to buy capacity, need to use the lines. And so if we’re creating contractual forms that are so bespoke or strange that no one is going to want to get into them, that’s not going to work. So we need to create things that we know are going to work for the future of these projects.

00:36:25 MEREDITH BRASELMAN: Alright. We’ve had a couple of questions on this, so I’m going to try to combine them, but it has to do with the definition of interregional and what that means. So, is that inter RTO or would that be a project with multistate RTOs, does that count as interregional?

00:36:46 MICHELLE MANARY: Yes and yes and yes. And so I think on one of the who, that the statutes have talked about, multistate or multi-regions, and so we’re looking at that very broadly. It could be a state to state, you know, across a couple of states, it could be between RTOs, between a non-RTO and an RTO. So we are looking at kind of – Think about it traditionally as those regions that, if they have to work together or those entities in order to build something, that’s usually kind of that loose regional.

00:37:19 And I think it’s different for every area, depending on if you have an organized market or not, but it really is looking for those cross-state lines, those large lines.

00:37:31 BILL MAGNESS: And also, just one thing to add, remember you don’t have to be interregional to apply, but it’s one of the factors that’s going to make an appealing TFP project. So, but yeah, Michelle’s right, there’s lots of different definitions of regions, but we’re seeing it pretty broadly.

00:37:49 MEREDITH BRASELMAN: Okay. Michelle, I think this next one is for you. Is the TFP intended to only support merchant transmission projects?

00:37:57 MICHELLE MANARY: Good question. No. I think that’s why when you see we kind of let off that. It’s any entity that is building these type of projects. It could be for reliability, resiliency. Those four criteria, that Bill went through that Congress gave us, those kind of you give you a thinking of the type of projects because that’s how we’re supposed to kind of rank them and rate them and take those into consideration. But, it is, it’s more than just merchant and I think that is one of the ones that we have to think about is, and that’s why we’re asking is, how do we operate, not just for merchants, but for non-merchants as well, do these contracts work? Will it work? And so it is broader than just the marketing or the entities you talked about.

00:38:49 MEREDITH BRASELMAN: Okay. Bill, are projects related to specific industry transmission lines eligible like specific lines for D/C fast chargers along the interstate, highways, and major roadways?

00:39:02 BILL MAGNESS: Well, the key criteria, and I don’t know the slide number, but when we – under our “what,” what does this have to be? It’s got to be a transmission line that if it’s a new line that’s a 1,000 megawatts or more, if it’s reconstruction, 500 megawatts or more. So the end uses of the projects, which I think is what you’re getting at, I think we can be indifferent as to that.

00:39:30 You know, if it meets the criteria, the selection criteria and if it’s advancing these priorities that are up on the screen now then as long as that works. One thing I’ll add just to be sure it’s clear is the program is not allowed to fund outside transmission or facilities that are directly related to the transmission. So whether it’s generation or whether it’s some sort of end use, that’s not part of what we can facilitate. It’s the transmission to get it there, the connection.

00:40:04 MEREDITH BRASELMAN: Okay. This question, I’ll start with Michelle here. Would later capacity contract solicitations, 2023 and beyond, have later completion deadlines?

00:40:16 MICHELLE MANARY: So, yes. So, as Bill said, this was just to get the program going, out the door, help those that are kind of at that cusp right now. One of the things that we are looking to do is, like I said, to find the ongoing program. And so, yes, it would definitely, we’d have to look at duration and kind of what those are. This is a first solicitation, first phase kind of deadline only and then we are very open to what makes sense in the future as we stand up this program on an ongoing basis.

00:40:51 MEREDITH BRASELMAN: Okay. How will the $2.5 billion be divided among the three program components?

00:40:59 MICHELLE MANARY: So, good question, so we’re not dividing it. And so I think this really comes back to the four criteria that Congress gave us. So it’s $2.5 billion for kind of those type, the three type of activities. It will depend, I think one of the things that we’ll look for is it’ll depend on what the solicitation looks like, it’ll depend on the timing. And so we’re not divvying it up kind of like in a pre-divvy basis, but we are really looking at a portfolio approach.

00:41:29 So optimizing and really looking at that $2.5 billion and where it’s most needed regardless of which aspect of the program they’re asking for.

00:41:41 MEREDITH BRASELMAN: Okay. This next question I think combines several questions that we’ve received. How are you looking to define isolated microgrid in Hawaii?

00:41:54 BILL MAGNESS: Well, we need some help with that, I’ll say that. We have the statutory language, but I think the key is that you have a microgrid that could be connected using an existing corridor. That could be a telecommunications, you know, a fiber corridor, that could be a transportation corridor like a highway or a road. So I think the idea is if the transmission connection, that can be built to connect that microgrid, has the availability of that corridor, that the transmission piece could be supported in, I think that’s key for us.

00:42:28 We don’t have additional statutory language that says exactly how that microgrid is defined. And as you’ll find in the RFI, there’s a question specifically about that to be sure that we’re looking at things that are appropriate geographically and for those regions.

00:42:45 MEREDITH BRASELMAN: Okay. Will the PMAs be a part of marketing any excess capacity or somehow play a role in this program?

00:42:52 MICHELLE MANARY: Good question, I’d say only if they want to. And so one of the things that, with DOE because we have to by law, if by the things are energized, we have to have somebody else market the stuff, which means, I think in my world, you have to have an oasis in order to post the ATC or have it into. So we have to go out and solicit that. We’re thinking we’ll solicit the intent and ask for folks that want to do that.

00:43:20 If the PMAs want to, great. If they don’t, they don’t have to. They are treated just like any other entity in the industry.

00:43:31 MEREDITH BRASELMAN: Okay. Bill, this question is for you. Merchant facilities are able to negotiate rates on transmission facilities if they solicit broad interest through either an open season or open solicitation. How would DOE capacity purchase work through this FERC requirement?

00:43:52 BILL MAGNESS: I think we’re trying to mirror a lot of those processes as much as we can, again, to make it more of a standard offering. So we’ve actually been talking to staff at FERC about this vehicle and how it looks, and not trying to get in the way of the processes that lead people to be able to use the FERC pro forma transmission tariff.

00:44:16 And so I think we’ll try to work that out, you know, both with FERC and with the applicants in such a way that it’s as consistent with the practice they would otherwise undertake if we were another kind of capacity purchaser than who we are. And hopefully, you know, make that as standard as possible and not disrupt what they need do to get other capacity customers.

00:44:41 At the end of the day, I think DOE can only support 50% of the capacity anyway, right? You have got to be getting other significant capacity customers and we don’t want our participation in the arrangement to make that more difficult.

00:44:57 MEREDITH BRASELMAN: Okay. Bill, another one. Can you provide more color around why it is the developers are most interested in contracts instead of loans or partnerships?

00:45:10 BILL MAGNESS: In the discussions we’ve had I think it’s, number one, this is a unique, a new vehicle. And it addresses a specific problem that we hear from developers, that we hear from the advocates for developers which is getting over this financial hump of the chicken and egg, I described before, is just something that comes up frequently. And for a lot of projects that are well along otherwise, projects that have been able to work things out with the regulators, with land use issues, with permitting.

00:45:44 But, you know, this is an issue that is a key one for them. So I think it’s just really listening to the folks who are out there trying to develop and expand the transmission system and identify the things that they’re telling us may be most helpful. And again, part of why we identify this is the first solicitation and also one that has this kind of time component of bring us projects that if you get this facilitation, you’re really in a position to move forward and succeed and deploy.

00:46:16 So that’s really what I think drove it. And the key is, as I understand it, from most of the developers who have identified this as a key part of the program.

00:46:27 MICHELLE MANARY: Yeah, I would also add onto that, Bill, because I agree. The capacity contracts do not trigger NEPA. So entering into a capacity contract does not bring NEPA in, where the other programs do. And so, especially when a developer is that far along and that far down the road, having DOE walk and talk like any other commercial entity is very attractive and so you don’t bring some of that other stuff that you normally would if you’re building with a federal entity or if you’re taking out loans.

00:46:57 MEREDITH BRASELMAN: Fantastic. That actually answered another question, Michelle, about NEPA, so thank you. Alright, so Michelle this one, is DOE in a catch 22 promoting reliability and resiliency and also promoting the reduction of greenhouse gas emissions with wind and solar which are not reliable and resilient?

00:47:16 MICHELLE MANARY: So I don’t think it’s a catch 22. I think it’s one of these things, and like I said, it’s a portfolio approach. And so you can – I’m assuming a lot of these lines will have all of the above. If you’re building and interconnecting – Or regions are building more lines to offer more points of interconnection, more points of kind of flow on your system that in turn helps with that. And so I think it’s a bigger picture as the industry is turning to more variable energy sources and going away from kind of what we think about as kind of your traditional dispatchable ones.

00:47:54 You also have to think, what is needed to support the grid at the same time? It could be wires, it could be a number of other things, it could be storage. So I think it’s part of a bigger thinking is now that we are – the industry is shifting and states are, especially some states are really wanting their industry to shift, and so that is something that it’s inherent in thinking through what we need for a reliable, resilient, clean system.

00:48:24 MEREDITH BRASELMAN: Thank you. Alright, since transmission projects can be several billions of dollars, is there a max capacity contract amount per project or applicant?

00:48:38 BILL MAGNESS: I’ll say we certainly have not established one. I think we’re very intrigued to see what the applicants bring us. And I think everyone who is applying has to understand there’s a $2.5 billion dollar limit on this program, but we’re not saying that it should be in any particular amount. We really need to see what kind of projects come forward and how they meet the statutory goals.

00:49:04 MEREDITH BRASELMAN: Okay. Who will be the third party responsible for marketing DOE’s capacity? Is it the selected developer or non-affiliated entity or both?

00:49:16 BILL MAGNESS: We are to look for an entity that can market the power under the statute. There could be a number of arrangements around that. I think there may be ways that DOE could work with the developer as they’re continuing to solicit customers. They want customers to be successful. They know that they need customers that are going to be move the DOE capacity out so they can continue to use it and we can continue to recycle the money.

00:49:47 So it’s something I think we need to explore as, number one, in a response to the RFIs. Number two, when we do the Technical Conference to talk about some of those issues around who the counterparties need to be in these arrangements. And then third, when we see the applications and what kind of proposals we’re getting around those remarketing obligations that DOE has potentially from applicants.

00:50:11 MICHELLE MANARY: Yeah, I agree. Bill, it depends on where the project is in the phase. So you could have a different arrangement during construction than you could have post-commercialization and [unclear]. And so that’s something we – It will probably – It will not be DOE, I just know that. And so it will be something else, but we need to work through those kind of details depending on the project, what region, and stuff like that.

00:50:39 MEREDITH BRASELMAN: Is congestion relief alone considered a valid goal when evaluating potential projects?

00:50:49 BILL MAGNESS: Well, the specific requirements we went through in the slide, you know, congestion is something that often is a concern when you’re looking at interregional transfer, for example. Congestion is an issue when you’re looking at how much new resources you can push out of a region like, there’s a lot of solar, but the congestion is keeping the solar from coming through. So if you’re building into a congested area that’s going to affect several of the criteria.

00:51:19 But, you know, as we noted in the slide, congestion itself as a term is not one of those criteria that’s listed, but the impacts of congestion could affect how you’re looking and how you weight those other statutory criteria.

00:51:37 MEREDITH BRASELMAN: Okay. I’m going to combine these next two questions and I don’t believe a timeline has been defined yet, but Michelle and Bill, I’ll let you guys address that. When do you expect the first deadline for the RFP will be if it’s issued in September? And do you have an expected timeline for initial awards, again, given the September date?

00:52:03 BILL MAGNESS: I’ll let Michelle say what the date is. I don’t think we have any. We’ve try to shoot, as we said in the slides, you know, we’re hoping in September to get that first solicitation out. I think the amount of time that’s needed to receive applications to assess them that’s something we’d like people to talk to us about in the RFI responses is like, we’ve given you a sense in the NOI of the kind of information that we think DOE is going to need to do the evaluation, so what’s reasonable?

00:52:34 People who want this facilitation want it to happen quickly, but they also need to be able to provide the information we need to do our diligence. And then the second piece of that is, again, it kind of depends on the projects we see in the applications and what the nature of the due diligence that we’re going to need to do is to get through those. And the stakeholder responses we get, from whether the ISOs and RTOs of states or others.

00:53:03 So it’s hard to say in particular, but we know that there is a lot of interest in getting the program underway and I think we’ll see from the applicants a desire to keep it moving, and that’s been our desire through the whole thing is to get this out there, get the questions out there, and start the process.

00:53:23 MEREDITH BRASELMAN: Okay. Are there certain regions of the country that DOE has identified for the first RFP?

00:53:31 MICHELLE MANARY: Nope. I think we have talked to a number of folks and so we have an idea of what type of projects and where they are in the country that would probably be good candidates, and they’re all over, just to let you know. But, no, we haven’t, we’re not targeting or focusing, it is a national. It’s more on the where the project is and the criteria to basically energize, if they can get going by December of 2027. That’s more of the criteria than it is where it is geographically.

00:54:04 MEREDITH BRASELMAN: Alright. So we’ve got about five minutes left here, I’m going to try to get to a few more questions, and I’ll just apologize in-advance to all of our attendees, we are not going to be able to get to all of your questions today, but thank you so much. We will be answering them later on. So a few more here. Do you believe this will aid with easing stranded load issues experienced by the grid when building renewable resources?

00:54:27 MICHELLE MANARY: A stranded load.

BILL MAGNESS: I’m not exactly sure what you mean, but I’ll say I think there are, you know, there may be stranded generation that can’t get to market unless the transmission is built. And on the load side, as loads increase in particular areas, for whatever reason, you referenced congestion earlier, I mean, transmission deployment needs to happen to relieve those issues on both the load side and the gen side.

00:54:59 So I guess the answer is yes. If there are stranded areas and these projects can help them achieve what they need as loads or as new generation, that’s kind of part of what transmission’s for.

00:55:13 MICHELLE MANARY: Exactly. I would echo that and just say especially if there are loads that are stranded, in essence that they only have one option for generation, these lines should help give them additional options and access to that. So Bill’s right, the lines just connect the load and the generation and everything in-between, depending on what type of line it is, and so there could be opportunities there as well for choice.

00:55:43 MEREDITH BRASELMAN: Okay. Let’s see here. Next question. How is the interaction of transmission and storage being dealt with? And what is the interaction between transmission and renewables generation as generation has been limited by existing transmission lines?

00:56:01 MICHELLE MANARY: So that’s a big one, a big question. Bill talked about this before. So this Transmission Facilitation Program does not deal with the generation or the load, it’s only the wires piece, but as we’ve said over and over again, the wires connect those type of things. I’d say there’s a number of other bipartisan infrastructure law kind of initiatives that deal with that.

00:56:29 So there’s some on storage, there’s some on kind of the generation side, as well as cyber, and comms. And so I think this pairs well with other type of either programs existing or infrastructure laws that you see as in the whole content. And so this is just one piece of it and it’s just the wires piece, connecting and trying to solve the needs on both ends given all the new technology for – we’ve got to shift in electrification.

00:57:05 MEREDITH BRASELMAN: Alright. I think we have time for one more question here. Regarding reselling the capacity contract, must DOE sell the capacity eventually or must DOE try but doesn’t have to ultimately? I.E., can DOE remain a customer?

00:57:23 BILL MAGNESS: Well, there’s a time limit on the capacity contract of 40 years. So that’s the far end of the capacity contract. And as we’ve referenced, the idea would be for DOE’s position to exit much more quickly than that, but that potentially could be up to 40 years. There are provisions in the statute about what happens if DOE doesn’t get paid back. There are some provisions for forgiveness, but that’s like way at the end of the useful life of a transmission project.

00:57:56 That is not the idea. The idea is to remarket the capacity, and continue to move it, and move that money back into the TFP, but there are statutory provisions that discuss that eventuality, if it happens.

00:58:10 MICHELLE MANARY: So when you say DOE as a customer, it could be the federal government. So it might be another federal entity or their utility buys it for them. So yeah, our goal is to recycle the money and get it back out to the next project. And so DOE itself, headquarters, maybe for those, doesn’t want to be the transmission provider or anything like that, that’s not our goal. Our goal is to just help facilitate, bridge that gap in the market, that chicken-egg, and then get out as soon as possible, and help bridge the next chicken-egg.

00:58:48 So it’s, like Bill said, it’s up to four years. So it doesn’t mean it has to be, it’s up to. So that limits it there. But, in the long run, our goal is to get out, get in, help bridge, plug that gap, accelerate, and then get out as soon as possible so we can get to the next project.

00:59:07 MEREDITH BRASELMAN: Alright. Well, that wraps up today’s Q&A for the webinar. Michelle and Bill, thank you.

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