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Re: Comments on NYISO Interconnection Queue Reform Proposal

To NYISO:

Shell Energy North America (US), L.P. (“Shell Energy”), Shell New Energies US, LLC (“Shell New Energies US”) (together, “Shell”), and Savion, LLC (“Savion”) (Shell Energy, Shell New Energies US and Savion, collectively, the “Shell”) respectfully submit these comments on the NYISO’s Interconnection Queue Reform Proposal. Shell is an active participant in the NYISO-administered markets and stakeholder process and has been monitoring NYISO’s efforts to make the interconnection queue process more efficient given the growing backlog of projects entering the queue.

Comments

Shell supports in concept the approach proposed by NYISO that describes a single interconnection process for all generators that uses a cluster feasibility study approach with a two-stage class year study. As with any proposal under development, we want to understand how the overall program comes together prior to rendering a final opinion. At a high level, this is similar to the three-stage cluster study process used by SPP and MISO. In comments filed with the Federal Energy Regulatory Commission (FERC), Shell supported those models because they better align the decision-making process developers face as they move a project forward with information about interconnection costs.¹

The NYISO proposal also tracks conceptually the approach recommended by Shell in FERC’s Interconnection NOPR² for an application and study fee. NYISO proposes a single study deposit at the application stage for all studies which is subject to forfeiture in increasing amounts as projects proceed through the process. Shell supports this approach. In its Interconnection Comments to FERC, Shell recommended a similar process, whereby a single deposit is provided with time limits in the process governing refunds.³

NYISO has also asked stakeholders to consider several open issues. The first question requests suggestions for a prioritization process for projects proposing to interconnect at the same POI/substation where it is not feasible to connect all projects. Shell believes an auction process could be

¹ *Improvements to Generator Interconnection Procedures and Agreements*, “Comments of Shell Energy North America (US), L.P., Shell New Energies US, LLC, and Savion, LLC,” Docket No. RM22-14-000 (filed Oct. 13, 2022) (“Interconnection Comments”), at 20.

² Notice of Proposed Rulemaking, *Improvements to Generator Interconnection Procedures and Agreements*, 179 FERC ¶ 61,194 (2022) (“Interconnection NOPR”).

³ See Interconnection Comments, at 17.

used to allocate scarce interconnection rights. Shell has proposed such a concept and presented it to FERC in its Interconnection Reply Comments in the Interconnection NOPR.⁴ The proposal recommends a process that creates Hosting Capacity Reservations (HCRs) that would use an HCR auction as a gating process to secure positions in the study process. The second version of this process mirrors TCC auctions, whereby bidders in an auction would compete to secure a specific level of hosting capacity.⁵ More details concerning these proposals can be found in Shell's Interconnection Reply Comments, which Shell would be prepared to discuss further in the stakeholder process.⁶

The next open issue raised by NYISO relates to site control. NYISO requests a definition of full site control and an alternative for the purpose of application requirements. Site control is another issue that was addressed by FERC in its Interconnection NOPR. For reference, FERC has proposed to revise the *pro forma* LGIP to require interconnection customers to demonstrate 100% site control for their proposed projects at the time they submit the interconnection request and a limited option for customers to submit deposit in lieu of site control.⁷ Certainly, projects with 100% site control for the generating and interconnection facilities are less speculative than ones that use deposits to secure a position in a queue. However, Shell's experience indicates that flexibility needs to be applied in this process, including reasonable standards to establish site control that reflect the diversity of projects. Thus, a process that balances site control with the ability to use deposits to hold positions is important.

This flexibility is paramount when one considers the diversity of resources that will be interconnecting with the bulk power grid in New York State. They will face different permitting and state and federal regulations that make 100% site control a challenge if not impossible or at the very least impractical. For example, the resource type that represents many unique challenges is offshore wind. Offshore wind developers commit to a project long before they consider securing interconnection site control. Offshore wind developers must make significant investments to acquire lease rights just to establish rights to build the project. For an offshore wind resource, a sufficient commitment to enter the queue should include acquisition of offshore lease rights. Just the commitment to purchase a lease can cost hundreds of millions of dollars. For a recent example, look no farther than what Shell company affiliates paid for offshore lease rights in the February 2022 New York Bight Auction. Its affiliate, Atlantic Shores paid \$780 million for a lease area. An investment of that size should be adequate to demonstrate site control. Once in the queue, however, the NYISO should apply reasonable standards for the offshore wind industry to make sure offshore wind developers are taking appropriate steps to advance their projects such as advancing permitting processes and property right acquisition.

The next question asks if developers should be allowed to withdraw without penalty under certain scenarios. During the study phase, it is Shell's position that there should not be withdrawal penalties. Rather, as the studies and process advance, the interconnection customer risks forfeiting more of its upfront deposit. However, in the case of certain scenarios, like a substantial late stage increase in costs, the amount of the deposit withheld should be minimal.

⁴ *Improvements to Generator Interconnection Procedures and Agreements*, Reply Comments of Shell Energy North America (US), L.P., Shell New Energies US, LLC, and Savion, LLC," Docket No. RM22-14-000 (filed Dec. 14, 2022)("Interconnection Reply Comments").

⁵ See Interconnection Reply Comments, at 7.

⁶ See Interconnection Reply Comments, at 7 – 15.

⁷ Interconnection NOPR at PP 116,118.

The final question Shell will address is whether to require continued site control, including generator lead route or posting non-refundable security in-lieu of site control. As mentioned above, a reasonable standard should be applied based on the nature of the resource. Offshore wind resources represent a unique challenge around this requirement. A standard that requires some degree of site control and/or a reasonable security deposit should be considered.

Shell Background

Shell Energy has long been an active participant in the competitive wholesale electric, natural gas, and environmental attribute markets and is one of the largest marketers of these products in North America. Moreover, Shell Energy has actively supported the development and continued operation of clean energy resources by executing long-term power purchase agreements and other hedges with developers that help manage market risk.

Shell New Energies US is actively developing land-based renewable resources and offshore wind resources. Concerning the latter, Shell New Energies US affiliates have experience developing offshore wind resources in other parts of the world. To date, Shell New Energies has brought this experience to the United States in support of two offshore wind joint ventures, which have been awarded contracts by the State of New Jersey and the Commonwealth of Massachusetts for major offshore wind projects off the East Coast of the United States - Atlantic Shores Offshore Wind, LLC ("Atlantic Shores") and SouthCoast Wind respectively. These projects, and future joint venture projects, will be developed in federal waters (Outer Continental Shelf ("OCS")) using a portion of Shell affiliate leases authorized by the Bureau of Ocean Energy Management ("BOEM") under the Outer Continental Shelf Lands Act.

In addition, another subsidiary of Atlantic Shores, Atlantic Shores Offshore Wind Bight, LLC, as mentioned earlier, became the holder of an additional OCS lease (Lease OCS-A-0541) in the New York Bight area, as a winner in the offshore wind auction held by BOEM in February 2022. Thus, through its Atlantic Shores joint venture alone, Shell affiliates have one of the largest U.S. offshore wind lease area portfolios on the Eastern seaboard comprising 262,404 acres able to site a total of over 4.5 gigawatts of offshore wind generation.

Shell is also developing transmission through an investment in Mid-Atlantic Offshore Development, LLC, its joint venture with EDF Renewables. Mid-Atlantic Offshore Development is participating in New Jersey and PJM's coordinated efforts to explore developing different transmission solutions to deliver offshore wind output to New Jersey load centers.

To help achieve its ambitious clean energy targets, Shell acquired Savion thereby expanding its commitment to renewable resource development. Savion is one of the largest, most technologically advanced utility-scale solar and energy storage development companies in the United States, with an active portfolio in 27 States, including New York State. Savion has a growing portfolio of more than 25 gigawatts of projects under development or in commercial operation. The company provides a full-service model that manages all aspects of development for customers, partners, and project host communities.

Conclusion

Shell looks forward to working with the NYISO and other stakeholders to improve its interconnection process in a way that supports the decarbonization goals of New York State under the

Climate Leadership and Community Protection Act. Even though FERC is considering many of the same issues in its pending Interconnection NOPR, NYISO should continue to advance its proposal with stakeholders consistent with the timeline contained in the proposal. If FERC issues an order approving new rules during the process, NYISO can review it to determine if any changes are required. However, it should not wait for FERC to act given the need to implement interconnection reform as soon as possible.