

# Memorandum

**To:** ISO Board of Governors  
**From:** Neil Millar, Vice President of Infrastructure and Operations Planning  
**Date:** July 12, 2023  
**Re:** **Decision on revised competitive solicitation project proposal fees**

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*This memorandum requires ISO Board of Governors action.*

## EXECUTIVE SUMMARY

Management proposes to revise the competitive solicitation project proposal fees by: (1) increasing the initial deposit from \$75,000 per project sponsor application to \$100,000; and (2) removing the “not to exceed” cap of \$150,000. Going forward, each project sponsor will be responsible for its pro rata share of the actual costs the ISO incurs in qualifying and selecting an approved project sponsor.

Project sponsors who participate in the competitive solicitation process as part of phase 3 of the ISO’s transmission planning process are required to submit an initial deposit, currently \$75,000, with each project proposal to pay for the ISO’s costs in evaluating project proposals and ultimately selecting the approved project sponsor. If the ISO’s costs exceed \$75,000, the ISO bills each project sponsor an additional amount, up to \$75,000, for a total of \$150,000 per project proposal. Under the existing process, the ISO absorbs any costs above \$150,000. The ISO only bills the actual costs it incurs and, if such costs are less than the amount deposited, the ISO refunds any excess deposit amounts to the project sponsors. This will not change under this proposal. The only changes will be to increase the initial deposit (which will still be refunded if it exceeds actual costs) and to remove the cost cap.

These proposed changes are necessary to ensure the ISO has access to the resources necessary to conduct its competitive solicitation process diligently given the expected number and complexity of future solicitations. The changes also will ensure the ISO recovers the costs of retaining consultants and conducting competitive solicitations from the applicants – competing project sponsors in those solicitations.

Management recommends the following motion:

***Moved, that the ISO Board of Governors approves the revised competitive solicitation project proposal fees, as described in the memorandum dated July 12, 2023; and***

***Moved, that the ISO Board of Governors authorizes Management to make all necessary and appropriate filings with the Federal Energy Regulatory Commission to implement the proposal, including any filings that implement the overarching initiative policy but contain discrete revisions to incorporate Commission guidance in any initial ruling on the proposed tariff amendment.***

## **DISCUSSION AND ANALYSIS**

Although the ISO's costs have not exceeded the \$150,000 cap to date, costs have exceeded the \$75,000 deposit amount in several instances and have approached the cap. The ISO anticipates that going forward, it will need to rely more heavily on contractors to effectively complete this competitive solicitation work as the number of projects subject to competitive solicitation continues to increase. This expectation, combined with the increased complexity of the projects being considered for competitive solicitation and the need for special expertise, suggests that \$150,000 will be insufficient to cover future evaluations.

The ISO proposes to increase the initial deposit for each individual competitive solicitation from \$75,000 per project sponsor application to \$100,000. The ISO also proposes to remove the "not to exceed" cap of \$150,000. Instead, going forward, each project sponsor, for each application it submits in a competitive solicitation, will pay its pro rata share of the actual costs that the ISO incurs in qualifying and selecting an approved project sponsor. The ISO will only bill actual costs it incurs and will refund any deposit amounts in excess of deposits received to the project sponsors.

This proposal is in line with the fees charged by other independent system operators and regional transmission organizations in their competitive transmission processes approved by FERC. For example SPP, PJM, NYISO, ISO-New England, and MISO do not cap the costs they can recover from their project sponsors' competitive transmission processes. They are authorized to recover the full amount of their actual study costs from the project sponsors. Further, MISO, NYISO, and ISO-New England require initial deposits of up to \$100,000.

## **POSITIONS OF THE PARTIES**

The ISO posted an issue paper and straw proposal on June 1, 2023, and hosted a stakeholder call on June 8, 2023. During the call, no stakeholder voiced any objections

to the proposal. Following the call, the ISO received only one set of stakeholder written comments, which voiced full support for the proposal.

## **CONCLUSION**

Management recommends that the ISO Board of Governors approve the proposed revisions to the competitive solicitation project proposal fees as outlined in this memorandum. These changes are necessary to ensure the ISO has access to the resources necessary to effectively and efficiently conduct its competitive solicitation process given the expected number and complexity of future competitive solicitations. The changes will also ensure the costs are recovered fully from those participants in the competitive solicitations.