



# GI FINANCES

## Requirements – Risks - Refunds

### **Summary of Funding Requirements of Study Deposits and Financial Securities for Generation Interconnection Requests**



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# 1 INTERCONNECTION STUDIES FINANCIAL REQUIREMENTS

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Under the Southwest Power Pool (SPP) Tariff Attachment V, Generator Interconnection Procedures (GIP) there are funding requirements necessary to cover generation interconnection staff support, engineering analysis and process costs while also providing Financial Securities as demonstration of good faith intent and readiness of financial risk for Interconnection Facilities, Network and Shared Network upgrades. Upon submission of a Generation Interconnection Request (GIR) the Interconnection Customer must provide certain cash deposits, along with certain Financial Securities, up front. As the Generation Interconnection process advances, additional Financial Securities may be required, as well. Special studies and provisional studies may require their own cash study deposits above and beyond initial Definitive Interconnection System Impact Study (DISIS) Queue payments.

This summary provides a high-level overview of financial requirements, risks and refund practices associated with the GIP. While this document seeks to provide sufficient detail, it is superseded by the SPP Tariff Attachment V, Generator Interconnection Procedures. It is the responsibility of the Interconnection Customer to reference the actual SPP Tariff Attachment V for currency and completeness.

See **Appendix A in Section 4**, at the bottom of this document, for a link to the Tariff and other information.

For information about Cash Study Deposits, Financial Securities and other financial matters related to the Generator Interconnection Procedures, contact: **Mitch Jackson** Email: [mjackson@spp.org](mailto:mjackson@spp.org)

## [1.1 FINANCIAL REQUIREMENTS FOR SUBMITTING A GENERATION INTERCONNECTION REQUEST](#)

The SPP Generation Interconnection Procedure requires two principal financial provisions in order for a request to be accepted and validated in the SPP Generation Interconnection Study Queue: **Cash Study Deposits** to cover the cost of staff support, engineering analysis and processes; and **Financial Securities** in demonstration of good faith intent and readiness of financial risk for Interconnection Facilities, Network and Shared Network upgrades.

- Study Deposits, must be in the form of cash, are used to provide reasonable recovery of costs associated with engineering analysis and processes associated with interconnection studies
- Financial Securities may be in the form of Cash, Letter of Credit or Surety Bond
- Site Control requirements for Generator Tie Line may be substituted with an 'in lieu of' Financial Securities, at a rate of \$80,000 per Right-of-Way (ROW) mile.
- Other Study Deposits and Financial Securities may be required, for Surplus Interconnection Service, Generating Facility Replacement, Material Modification Evaluation and 'in lieu of' securities for Generator Tie Lines

- All Cash Study Deposits are good faith estimates and may require additional funds, if depleted.

Cash Study Deposits and the initial Financial Security One are due upon submission of a Generation Interconnection request and prior to the close of the DISIS Queue Cluster Window, per **SPP Tariff Attachment V, Section 8.2**. An Interconnection Request will be deemed incomplete and deficient without Cash Study Deposits and/or Financial Securities provided prior to the close of the DISIS Queue Cluster Window.

### 1.2 CASH STUDY DEPOSIT REQUIREMENTS

Under the Southwest Power Pool (SPP) Tariff Attachment V, Generator Interconnection Procedures (GIP) there are funding requirements necessary to cover generation interconnection staff support, engineering analysis and process costs. The table below provides general guidance on those Cash Study Deposit requirements.

<b>Cash Study Deposits for Generation Interconnection by MW</b>		
<b>Cash Deposit Amount*</b>	<b>Description</b>	<b>Tariff Reference in Att. V</b>
\$10,000	Non-Refundable Application Fee – all requests – DISIS Study Queue	§ 8.2.g
\$35,000 + \$1,000 per MW	<80 MW – DISIS Study Queue	§ 8.2.b.2
\$150,000	> 80 MW and < 200 MW – DISIS Study Queue	§ 8.2.b.3
\$250,000	> 200 MW – DISIS Study Queue	§ 8.2.b.4
<i>*Study Deposits are in the form of Cash only. Funds may be wired via ACH to SPP. Contact SPP GI Studies for Banking / Wire Information. Mitch Jackson, mjackson@spp.org</i>		
<b>Non-refundable Cash Study Deposit Policy (Effective 1/15/2022)</b>		
20% Non-refundable	Twenty percent (20%) of the study deposit shall be non-refundable at the start of DISIS Phase One	§ 8.2. b
50% Non-refundable	After the conclusion of DP1, fifty percent (50%) of the study deposit provided under Section 8.2.b of this GIP shall be non-refundable for any Interconnection Request which proceeds to DISIS Phase Two.	§ 8.5.1
100% Non-refundable	After the conclusion of DP2, one-hundred percent (100%) of the study deposit provided under Section 8.2.b of this GIP shall be non-refundable for any Interconnection Request which proceeds to Interconnection Facilities Study	§ 8.5.2

### 1.3 DISTRIBUTION OF DISIS CLUSTER STUDY COSTS

The Tariff Services Team, within the Generation Interconnection Department of SPP, administers, tracks and monitors Cash Study Deposits and Financial Securities related to the Generator Interconnection Procedures. Through the utilization of an application called EFA (Engineering Finance and Administration) Tool the Cash Study Deposits are collected and credited toward each individual Generation Interconnection Request. The costs of staff support, engineering analysis and processes are aggregated and distributed among all participants of each DISIS Cluster. Those costs are deducted from their existing Cash Study Deposit balances and distributed per the SPP Tariff, under Section 4.2.2, see below. Regular end of month statements are automatically sent to designated recipients of the Interconnection Customer.

Per **SPP Tariff, Attachment V, Section 4.2.2**, it reads in part: *“The Transmission Provider shall determine each Interconnection Customer’s share of each phase of the Definitive Interconnection System Impact Study cost by allocating 50% of the applicable study costs to Interconnection Customers pro-rata based on number of Interconnection Requests included in the applicable study phase and by allocating 50% of the applicable study costs to Interconnection Customers pro-rata based on requested MWs included in the applicable study phase. The full study costs for DISIS Phase 1 and DISIS Phase 2 will be shared by all Interconnection Requests which entered each respective study phase. If Interconnection Customer withdraws its Interconnection Request before or during DP1 or DP2, Interconnection Customer will not be responsible for study costs for subsequent study phases except that any remaining nonrefundable portions of the study deposit will be applied in accordance with Section 13.3 of this GIP.”*

Non-DISIS Cluster Study types, which include Special or Provisional Studies, are listed below.

<b>Special or Provisional Studies</b>		
<b>Cash Deposit Amount</b>	<b>Description</b>	<b>Tariff Reference in Att. V</b>
\$60,000	Surplus Interconnection Service Impact Study	§ 3.3.2 and Appendix 15
\$15,000	Surplus Interconnection Service Facilities Study (if applicable)	§ 3.3.4.2 and Appendix 16
\$60,000	Material Modification Evaluation and/or Permissible Technological Advancement	§ 4.4.3 & 4.4.5
\$120,000	Generating Facility Replacement Study (See Section 1, Definition of Generating Facility Replacement)	§ 8.2.b & Attach A to App B, Line 6
\$1,000	Fast Track (Jurisdictional / Distribution)	§ 14.2
\$300	Pre-Application Evaluation	§ 2.2.2
<p><i>*Study Deposits are in the form of Cash only. Funds may be wired via ACH to SPP. Contact SPP GI Studies for Banking / Wire Information. The above Special or provisional types are not subject to Non-Refundability clause under Sections 8.2.b; 8.5.1 and 8.5.2. Remaining balances may be refunded, if applicable.</i></p>		

#### **1.4 MISCELLANIOUS STUDY COSTS**

In addition to the SPP Tariff Attachment V treatment of study costs associated with primary Generation Interconnections Requests and the DISIS Cluster Study, including the above referenced Special or Provisional Studies in Section 1.4 of this document, there are some other study costs to be aware of:

- **Restudy Costs** – When warranted, due to withdrawn requests, model corrections or assumption changes to study models, SPP Generation Interconnection department may restudy a DISIS Cluster or other studies to address those changes. This may result in Restudy Costs and per SPP Tariff Attachment V, Section 8.8 and 8.13, it reads in part: *“Any cost of Re-Study, as reduced by deposit amounts retained for other Interconnection Customer(s) under Section 13.3 of the GIP, shall be borne by the Interconnection Customer(s) being re-studied.”* Restudy costs will be reflected in the monthly Study Statements. Additional funds may be invoiced to cover those pending or active restudy costs.
- **Interim Availability Interconnection Service Study Costs** – Should an Interconnection Customer enter into an Interim Availability Interconnection Services Study, per Section 11A, and execute a study agreement, additional study costs associated with the Interim Study will be incurred. Per Section 11A.2.4.2 states: *“The cost of the Interim Availability Interconnection System Impact Study will be subtracted from the Customer’s study deposit submitted for the Definitive Interconnection System Impact Study.”* Interim costs will be reflected in the monthly Study Statements. Additional funds may be invoiced to cover those pending or active restudy costs.
- **Annual Interim Review Study Costs** – SPP conducts an annual restudy of each effective Interim Generation Interconnection Agreement (GIA) to determine whether the Interim Interconnection Service determined pursuant to Section 11A.2 continues to be available in the amount specified in the Interim GIA. SPP will retain Restudy Cash Study Deposits while the Interim GIA is active and any remaining refunds, if applicable, would be refunded after the Generation Interconnection Request reaches full Commercial Operation.

## **1.5 OBLIGATION FOR STUDY COSTS**

Under the SPP Tariff, Attachment V, Section 13.3 the Interconnection Customer is responsible for costs associated with the administration and conduct of the Interconnection Studies.

Section 13.3 reads in part: *“Except as provided below, Transmission Provider shall charge, and Interconnection Customer shall pay the actual costs of the Interconnection Studies. Any difference between the study deposit and the actual cost of the applicable Interconnection Study shall be paid by or refunded, except as otherwise provided herein, to Interconnection Customer. Any invoices for Interconnection Studies shall include a detailed and itemized accounting of the cost of each Interconnection Study. Interconnection Customer shall pay any such undisputed costs within thirty (30) Calendar Days of receipt of an invoice, therefore. Transmission Provider shall not be obligated to perform or continue to perform any studies unless Interconnection Customer has paid all undisputed amounts in compliance herewith. Study deposits collected in accordance with Section 8.2 of the GIP may also be used to pay the study costs for any restudies in accordance with Section 8.13 of the GIP that affect lower-queued Interconnection Customers.”*

For information about the disposition of non-refundable Cash Study Deposits, refer to the full Section 13.3 found in the [SPP Tariff Attachment V](#).

## **1.6 FINANCIAL SECURITIES**

Financial Securities may be provided in the form of Cash, Letter of Credit or Surety Bond. The initial Financial Security One (FS1) must be provided to SPP along with the generation interconnection application.



Requirements for Financial Security Two (FS2) and Financial Security Three (FS3) will be calculated and provided after the posting of the DISIS Phase One and Phase Two final reports, respectively, and transmitted to the Interconnection Customer via the Decision Point Election Forms. Per SPP Tariff Attachment V, Section 8.5.1, Financial Security Two (FS2) must be received prior to the end of Decision Point One (DP1). Per Section 8.5.2, Financial Security Three (FS3) must be received by SPP prior to the end of Decision Point Two (DP2).

**Failure to provide all required items, including Financial Securities, prior to the end of the Decision Point, the interconnection Request will be deemed to have been withdrawn by the Interconnection Customer.**

<b>Financial Securities</b>		
<b>Security</b>	<b>Description</b>	<b>Tariff Reference in Att. V</b>
<b>Financial Security One (FS1)</b>  (\$4,000 / MW)	Security deposit equal to \$4,000/MW of the requested Interconnection Service, per stated capacity provided in the Attachment A to Appendix B form, line 5.h.	§ 8.2.f
<b>Financial Security Two (FS2)</b>  (The greater of 10% or \$4,000 / MW)*^	Additional Security deposit equal to <b>the greater of:</b> (a) Ten percent (10%) of the Financial Security Two Cost Factor, less the amount of Financial Security One that was provided to enter DISIS Phase One, <b>or</b> (b) \$4,000 per MW of the requested capacity advancing to DISIS Phase Two. Amount will be communicated to Interconnection Customer via the Decision Point Election Form for DISIS Phase One (DP1).	§ 8.5.1.a & .b
<b>Financial Security Three (FS3)</b>  (20% of Total Upgrade Cost Allocation per Phase Two Report)^	Twenty percent (20%) of the total upgrade costs allocated to the Interconnection Request, less the amount of Financial Security One and Financial Security Two that was previously provided to enter DISIS Phase One and DISIS Phase Two. Amount will be communicated to Interconnection Customer via the Decision Point Election Form for DISIS Phase Two (DP2).	§ 8.5.2
<p><i>*Financial Security Two Cost Factor is calculated by first determining the cost allocation factor pursuant to Section 4.2.2 of the GIP applicable to an Interconnection Request for an upgrade assigned to that same Interconnection Request and multiplying the cost allocation factor by itself and then by the total estimated cost of the upgrade; then summing the resulting products for every upgrade allocated to an Interconnection Request.</i></p> <p><i>^ Requirements for Financial Security Two (FS2) and Financial Security Three (FS3) will be calculated and provided after the posting of the DISIS Phase One and Phase Two final reports and transmitted to the Interconnection Customer via the Decision Point Election Forms. The cost of upgrades required to mitigate impacts to Affected Systems is excluded from Financial Security Two (FS2) and Financial Security Three (FS3).</i></p>		

## 2 RISKS ASSOCIATED WITH CASH STUDY DEPOSITS AND FINANCIAL SECURITIES

### 2.1 RISKS ASSOCIATED WITH CASH STUDY DEPOSITS

Per the SPP Tariff, Attachment V, Generator Interconnection Procedure, effective 1/15/2022, Cash Study Deposits will progressively scale non-refundability of the Cash Study Deposits based on certain DISIS Study milestones that are reached. The table below provides a general guideline of when to expect those milestones to occur resulting in increased non-refundable balances of the Cash Study Deposits held by SPP.

It is the general practice, for Generation Interconnection Requests that withdraw prior to formal study commencement, including ‘model freeze’ date which is approximately thirty (30) Calendar Days prior to the study start, that all Cash Study Deposits would be refunded in full and the Financial Security One would be released.

<b>Non-refundable Cash Study Deposit Policy (Effective 1/15/2022)</b>		
20% Non-refundable	Twenty percent (20%) of the study deposit shall be non-refundable at the start of DISIS Phase One	§ 8.2.b
50% Non-refundable	After the conclusion of DP1, fifty percent (50%) of the study deposit provided under Section 8.2.b of this GIP shall be non-refundable for any Interconnection Request which proceeds to DISIS Phase Two.	§ 8.5.1
100% Non-refundable	After the conclusion of DP2, one-hundred percent (100%) of the study deposit provided under Section 8.2.b of this GIP shall be non-refundable for any Interconnection Request which proceeds to Interconnection Facilities Study	§ 8.5.2

### 2.2 RISKS ASSOCIATED WITH FINANCIAL SECURITIES

The purpose of providing Financial Securities are for the demonstration of a good faith intent and project readiness of financial risk for Interconnection Facilities, Network and Shared Network upgrades associated with a generation interconnection project. The SPP, as fiduciary and potential arbiter, must safeguard the administration of the defined Financial Securities. Under SPP Tariff Attachment V, Section 8.14 it prescribes Financial Security Refund Eligibility criteria. The table below offers a high-level overview of those risks associated with Financial Securities.

<b>Financial Security Refund Eligibility (Effective 1/15/2022)</b>		
25% of Financial Security One, 25% of “in lieu of” Financial	If Withdrawn <b>prior to the end of DP1</b> financial securities (as stated) will be forfeited to the extent that equally-queued Interconnection	§ 8.14.b

<p>Securities for Gen Tie (if applicable)*</p>	<p>Requests are subjected to increased total of Network Upgrades and Transmission Owner Interconnection Facilities upgrade costs as a result of the withdrawal.</p>	
<p>100% of Financial Security One, 100% of “in lieu of” Financial Securities for Gen Tie (if applicable) and 25% of Financial Security Two*</p>	<p>If Withdrawn after the end of DP1, but prior to the end of DP2, financial securities (as stated) will be forfeited to the extent that equally-queued Interconnection Requests are subjected to increased total of Network Upgrades and Transmission Owner Interconnection Facilities upgrade costs as a result of the withdrawal.</p> <p><b>Exception.</b> Unless <b>BOTH</b> conditions exist: 1) the total allocated costs for the withdrawn Interconnection Request, including those costs for upgrades to mitigate impacts to Affected Systems if known, increased by twenty-five percent (25%) or more from the end of DP1 to DISIS Phase Two, <b>and</b> 2) the allocated cost per MW of requested capacity, including costs for Affected Systems if known, increased by \$10,000/MW or more from the end of DP1 to DISIS Phase Two.</p>	<p>§ 8.14.c</p>
<p>100% of Financial Security One, 100% of “in lieu of” Financial Securities for Gen Tie (if applicable) and 100% of Financial Security Two and 100% of Financial Security Three^</p>	<p>If Withdrawn after the end of DP2 financial securities (as stated) will be forfeited to the extent that concurrently or lower-queued Interconnection Requests are subjected to increased total of Network Upgrades and Transmission Owner Interconnection Facilities upgrade costs as a result of the withdrawal.</p> <p><b>Exception.</b> Unless <b>BOTH</b> conditions exist: 1) the total allocated costs for the withdrawn Interconnection Request, including those costs for upgrades to mitigate impacts to Affected Systems if known, increased by twenty-five percent (35%) or more from the end of DP2 to Interconnection Facilities Study, <b>and</b> 2) the allocated cost per MW of requested capacity, including costs for Affected Systems if known, increased by \$15,000/MW or more from the end of DP2 to Interconnection Facilities Study.</p>	<p>§ 8.14.d</p>
<p><i>*If the Transmission Provider determines that no equally queued Interconnection Requests are subjected to increased total of Network Upgrades and Transmission Owner Interconnection Facilities upgrade costs as a result of the withdrawal, Financial Security One will be refunded with accrued interest, if any.</i></p> <p><i>^If the Transmission Provider determines that no concurrently- or lower-queued Interconnection Requests are subjected to increased upgrade costs as a result of the withdrawal, Financial Security One,</i></p>		



*Financial Security Two, Financial Security Three, and Financial Security provided in lieu of Site Control for the Generating Facility's tie line will be refunded with accrued interest, if any.*

It is the obligation of the Interconnection Customer to be familiar with Section 8.14 of the [SPP Tariff Attachment V](#). Please review the referenced Tariff Section for more details regarding Financial Security Refund Eligibility.

## 3 REFUNDS AND RECONCILIATION OF CASH STUDY DEPOSITS AND FINANCIAL SECURITIES

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### [3.1 REFUND OF CASH STUDY DEPOSITS](#)

Typically, within 60 – 90 days of a generation interconnection request reaching a terminal point (Withdrawn or Commercial Operation) any remaining Cash Study Deposits will be processed for refund and issued back to the originator of the funds unless otherwise noted in the project Banking / Study Deposit Information. This excludes any Cash Study Deposits declared a non-refundable per SPP Tariff Attachment V, Sections 8.2.b, 8.5.1 and 8.5.2

It is recommended to search all instances of “refund” in the SPP Tariff Attachment V, for more detail.

### [3.2 RELEASE OF FINANCIAL SECURITIES](#)

All release or refunds of Financial Securities are subject to Financial Security Refund Eligibility criteria per SPP Tariff Attachment V, Section 8.14, unless the interconnection request has Executed a GIA.

Article 11.6 of Appendix 6, Generator Interconnection Agreement (GIA), apply to treatment of Financial Securities for interconnection requests that have an Executed GIA.

Otherwise, Financial Securities will be addressed in the Appendix B Milestones section of the Executed GIA to meet Initial Payment Requirements and/or retain as security pending fulfillment of funding by the Interconnection Customer with the Transmission Owner or other parties. Upon notification from the Transmission Owner that all funds accounted and reconciled per Appendix B Milestones, SPP will commence processing of the release and / or refunds of remaining Financial Securities.

## 4 APPENDIX A

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### [4.1 WHO TO CONTACT AT SPP REGARDING GI FINANCES](#)

Financial management of Cash Study Deposits and Financial Securities is administered by the Generation Interconnection Department's Tariff Services Team. Mitch Jackson, [mjackson@spp.org](mailto:mjackson@spp.org) is the primary contact.

#### **[4.2 LINK TO SPP TARIFF ATTACHMENT V](#)**

Direct link to the SPP Tariff, Attachment V, Generator Interconnection Procedure:

<https://opsportal.spp.org/documents/studies/SPP%20Tariff%20Attachment%20V%20Generator%20Interconnection%20Procedures.pdf>

#### **[4.3 LETTER OF CREDIT TEMPLATE](#)**

Access the Form of Irrevocable Standby Letter of Credit Template (LOC) [Here](#).

#### **[4.4 CREDIT SECURITY AGREEMENT](#)**

Access the Appendix "B" Credit and Security Agreement (CSA) [Here](#).

#### **[4.5 SURETY BOND](#)**

Access the Appendix "F" Form of Surety Bond [Here](#).

#### **[4.6 REQUIRED BANKING AND CONTACT INFORMATION](#)**

Access the SPP Study Deposit and Refund Disposition Form [Here](#).

#### **[4.7 EXAMPLE OF MONTHLY FINANCIAL STATEMENTS](#)**

Access an Example Only of a monthly GI Study Statement [Here](#).