

46471_DOE_GDO_Transmission Facilitation Program Round 2 Capacity Contracts RFP Informational Webinar_v01

WHITNEY BELL: Hello, everyone. And welcome to the Round 2 Transmission Facilitation Program Capacity Contrast Request For Proposals, also known as RFP, webinar. I'm Whitney Bell with ICF, and I'll be your host today. First, I do have a few housekeeping items for today's webinar. This Webex meeting is being recorded, and may be used by the US 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 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. All participants are in listen-only mode. If you need to view the live captioning, please refer to the link that will appear in the chat now. We will have time for Q&A after today's presentations. You may submit your questions at any time using the chat function.

Additionally, if you have any technical issues or questions, you may type them in the chat box and select Send To Host. Finally, and a question that comes up all the time, a copy of today's presentation will be posted on the transmission facilitation program capacity contract's RFP Round 2 informational webinar web page by Monday. The recording of today's webinar will also be available on that same webpage in about two weeks. We will email you when those materials are both up.

With those announcements and housekeeping items out of the way, let's go ahead and get started. To kick off today's webinar, we welcome Jeff Dennis, the deputy director for transmission development with the Grid Deployment Office. So Jeff, I'll go ahead and turn this over to you.

JEFFREY DENNIS: Thank you, Whitney. Thanks very much. And good afternoon, everyone. Welcome to the next round of DOE's capacity contracts offering through the transmission facilitation program, or TFP as you'll hear us call it throughout the day today. As Whitney mentioned, my name is Jeff Dennis. And I'm deputy director for transmission in DOE's Grid Deployment Office. My team is charged with executing the transmission facilitation program, and other authorities, to help catalyze the development of transmission that is needed by consumers to maintain reliability, improve resilience, and lower costs.

DOE is thrilled to have released this latest request for proposals and to begin another successful round of TFP capacity contracts to catalyze the deployment of critical transmission infrastructure across the country. TFP is a unique program. And we'll start this webinar by walking through an overview of the program as well as the governing statute that we are implementing the program under. Then we will discuss the criteria by which we will evaluate proposals submitted in response to the latest RFP and the associated process.

Finally, we will share some application tips to help project developers submit a successful application. There are a couple of themes that I want to highlight that you'll hear throughout our presentation today. First is our emphasis on communication with applicants so that we can best understand your proposed projects. We can only determine if a capacity contract through TFP is a good fit for supporting a project and for our program if we have the right information and a thorough understanding of the project.

If there are areas where you have questions as you complete an application, please do not hesitate to reach out to us by emailing us at transmissionfacilitation@hq.doe.gov. And you'll see that email address again later in the presentation. The second theme you'll hear today is that we intend to pursue an aggressive timeline, which will reduce uncertainty for applicants and allow DOE to best manage and prioritize our own resources in executing the program. We do not anticipate providing any extensions. So applicants must ensure that they are set up for success internally to be able to respond, if invited to proceed in the program, which will happen within six weeks of receiving an invitation. The application process also includes virtual and in-person meetings in Washington DC. And we'll go over all of that as we go through. But do want to emphasize that we intend to proceed diligently here. And we'll need applicants to be responsive. Let's move to the next slide.

Just a quick overview of who we are in the Grid Deployment Office. We are working to provide electricity to everyone everywhere by maintaining and investing in critical generation facilities to ensure resource adequacy, improving and expanding transmission and distribution systems to ensure all communities have access to reliable and affordable electricity. We have three divisions. And as I mentioned earlier, I lead that middle division, which utilizes our unique tools and authorities for coordination, planning, financing, and permitting to drive transmission investment.

We're pursuing a three-pronged strategy focused on those three items, planning, commercial facilitation, and permitting. And today, the TFP program that we're talking about is firmly within our commercial facilitation program. Next slide, please.

So the Transmission Facilitation Program was established by the bipartisan infrastructure law with the goal of facilitating the development of new large-scale transmission facilities, or large upgrades to existing facilities. It's important to remember that TFP is not a grant program. It is a revolving fund. And what that means is that DOE must recover the funding that it expends on a project in order to recirculate those funds to support additional projects in the future.

Therefore, it is important that we are able to provide maximum impact to catalyze a project's development in the shortest period of time we can so that we can recover our funding quickly and redeploy it to new projects. And that is reflected in the criteria that we will use to score applications. We place a high value on the ability of DOE to exit the capacity contract as soon as possible to recover our investment without sacrificing the value of TFP support, and again, redeploy that money to support additional projects in the future.

And this is all consistent with congressional intent in the statute. Another aspect of the TFP is that the funding is meant to accelerate the timeline for construction of eligible projects or to increase the amount of capacity that-- of eligible projects, that those eligible projects would otherwise have absent DOE support.

And there are many ways that applicants can show the DOE's involvement will achieve this goal.

Therefore, we believe that DOE involvement can accelerate projects located in any region of the country, even if the impact of DOE's involvement is different for each project. As the first round selections demonstrated, and we'll go over those in a minute, DOE's involvement can be valuable both within and outside of transmission planning regions overseen by regional transmission organizations and independent system operators.

And it can be a valuable for a variety of different transmission business models and cost recovery scenarios, from fully cost allocated to more merchant options. Each of these particular options can be a fit

for the TFP program. And TFP can be deployed to accelerate projects in each of these-- in each of these scenarios.

And so for that reason, we're really looking for applications from a broad range of folks. Under the TFP, we have three financial tools we can use to catalyze transmission development, including loaning funds to project developers, entering into private part-- public private partnerships, to participate in the development of a project, or contracting for capacity on an eligible project. And it's that third project-- category we're going to talk about today.

The ability of DOE to enter into capacity contracts is a unique authority that is housed only within TFP. And it is the unique nature of this financial mechanism, and its familiarity to potential applicants, along with its tremendous potential to accelerate the development of critical transmission infrastructure, that drives us to focus the bulk of our available funding on this capacity contracts option.

So what are our capacity contracts? We are-- capacity contracts are a mechanism through which DOE commits to purchase a defined amount of capacity on a transmission line once that line is energized. DOE is not purchasing part of the line itself, not purchasing an equity stake, but rather, contracting for the right to use a portion of the transmission line's capacity once it becomes operational. The bipartisan infrastructure law authorizes DOE to contract for up to 50% of the capacity of a transmission line. And although we have this flexibility, due to the limited amount of funding available for the program, and our desire to support as many projects as possible, DOE is unlikely to contract for such a significant portion of the capacity of an eligible project. Instead, to increase the chances of being selected, we encourage applicants to propose capacity contract structures that reflects the least amount of TFP funding required to catalyze the project.

And to recognize, as well, the non-financial value of DOE support as well. I want to pause here to share a little bit more about the process from selection to actually executing a capacity contract with a selection-- with a selected applicant. Transmission service under a capacity contract begins once a transmission line is actually constructed and begins operating.

Since DOE selects projects for capacity contracts under the TFP well in advance of them achieving commercial operation, DOE and selected applicants must first enter into a number of agreements to govern the relationship between DOE and the project from the initiation of our relationship to DOE's ultimate exit from the project.

The umbrella agreement that we use is called a facilitation agreement. And it describes how DOE and the selected applicant will work together to ensure the project is progressing through various milestones of development, and other key waypoints that demonstrate that the project is maintaining a commercially reasonable path to operation.

The other agreements address how DOE will relinquish or otherwise transfer its capacity, and should DOE remain a customer after commercial operations begin, how DOE's capacity contract rights are defined. We anticipate providing all applicants invited to part two of our process with standard agreements that will form the basis of contract negotiations that begin immediately after selection. However, we recognize that each project is unique, and therefore, will be expecting to negotiate certain terms.

But we're also aiming to minimize divergence among our agreements to ensure fair treatment of all selected applicants, and to, again, pursue with diligence two final awards. Next slide, please.

A little bit more about program eligibility. To be eligible for a TFP capacity contract, projects must fall into one of two categories, as this slide shows. Projects that do not meet one of these threshold criteria will be removed from consideration. The first category is for new Greenfield projects, meaning a transmission facility being constructed outside of any existing right of way. In that case, the project must add new capacity that is greater than, or equal to, 1,000 megawatts.

The second category is for upgrades to an existing transmission facility, or for a new transmission facility being constructed in an existing right of way. In this category, the transmission capacity requirement is lower. And the project need only add 500 megawatts of new transmission capacity. Next slide, please.

In order to make a words, section 40106 of the bipartisan infrastructure law requires DOE to make three certifications. These certifications are at the foundation of our evaluation and selection process. The first certification is that the eligible project is in the public interest. The statute provides a lot of guidance on what that means. And we will discuss in more depth on the next slide.

The second certification is that the project is unlikely to be constructed in as timely a manner, or with as much capacity, absent DOE's facilitation. We have learned from previous applicants that there are many ways that DOE we can help accelerate development. And you will see in the application requirements that we ask applicants to describe how DOE will support-- how DOE support will catalyze the project to completion.

Finally, and consistent with the program structure as a revolving fund, DOE must certify that we have found that there is a reasonable likelihood that DOE will recover the committed funding. We'll talk about this more in later slides as well. Next slide. TFP-- as I mentioned on the last slide, this slide highlights how the bipartisan infrastructure law outlines what it means for a project to be in the public interest combined with the Biden-Harris administration's additional policy priorities for administering federal funding.

From the statute, the TFP prioritizes the use of funds for projects that increase intrastate transfer capacity, meaning projects, whether inter-regional themselves or not, that increase the amount of electricity that can flow between planning regions. The TFP also prioritizes the use of funds for projects that improve resilience and reliability, deploy advanced technology, and contribute to national and subnational greenhouse gas emissions reduction goals.

You will see these priorities reflected in the valuation criteria that we'll cover in more detail later in this webinar. In addition to these policy priorities from the bipartisan infrastructure law, the Biden-Harris administration has a policy of requiring applicants for funding through all bipartisan infrastructure law and Inflation Reduction Act programs to submit community benefits plans that will be part of the evaluation and selection criteria. Successful community benefits plans explain how a project will address four core policy priorities.

First, engaging communities and labor, second, investing in America's workers through quality jobs, third, advancing diversity, equity, inclusion, and accessibility through recruitment and training, and fourth, implementing the Justice40 initiative, which directs that 40% of the overall benefits of certain federal investments flow to disadvantaged communities.

These key principles, when incorporated comprehensively into project proposals, and applications, and executed upon, will help ensure shared prosperity in the clean energy transition, and in the execution of this foundational bipartisan infrastructure law program.

I'll now turn it to Chris Lyles, GDO's program manager for commercial facilitation, who will review the results of our first capacity contracts RFP and explain some of the lessons learned that we are applying to this second RFP. Chris.

CHRIS LYLES: Yeah, good afternoon. Chris Lyles. I work for Jeff Dennis in GDO. I lead commercial facilitation, as you said, which is the home to the transmission facilitation program. So now, you want to take a few minutes to highlight the outcome of the first round of capacity contracts, and their selections. In November of 2022, DOE issued its first request for proposals under the TFP, which was focused on capacity contracts. DOE, we received 14 applications, and ultimately selected three projects for capacity contracts. So the next few slides, we will share highlights of the selected projects.

As a timeline reference, DOE announced its selections in late October of 2023, and anticipates wrapping up contract negotiations for the first round within the next month or two. We anticipate selections and subsequent contract negotiations will move at the same pace, or even quicker, for the second round. The first selected project we will highlight is the cross tie 500 KV transmission line between Nevada and Utah. This 214-mile project will provide 1,500 megawatts of bidirectional capacity to connect to existing transmission systems to increase transmission capacity, improve grid reliability and resilience, relieve congestion on other key transmission lines, and expand access to low-cost renewable energy across the region.

The bi-directional nature of cross-tie will increase transfer capabilities in the west by unlocking increased access to renewable energy resources in the region. Cross-tie to start construction in 2025. And when operational, its capacity will contribute 14% to the anticipated need for transmission capacity in the region, as identified in DOE's 2023 national transmission needs study.

The second selected project we will highlight is the Southline Transmission Project for New Mexico to Arizona. This 175-mile 748-megawatt project will help unlock renewable energy development in southern New Mexico, and deliver clean energy to growing markets in Arizona that currently rely on fossil fuel generation. This project, which is the first phase of a longer line, will make smart use of existing transmission rights of way along parts of its route by upgrading aging transmission facilities that are the source of congestion in the region.

Construction is expected to start in 2025. This project will contribute about 14% to the anticipated need for new transmission capacity in this region. The third selected project we'll highlight is the twin states clean energy link between Quebec, Canada, and New Hampshire. This 185-mile high voltage direct current bi-directional line will expand the capacity of the New England electric grid by 1,200 megawatts and improve its resilience, reliability, and efficiency by providing access to clean firm energy supplies in Canada.

The bidirectional design will also allow the New England grid to export power to Canada when New England is producing more energy than it needs to meet its own demand, which is expected to occur as the offshore wind industry in New England expands. Construction is expected to start on this project in 2026. And when completed, this project will address 79% of the anticipated need for new transmission capacity in the region as identified in DOE's transmission study.

So what's different for this round compared to last round? While we consider our first round of capacity contracts under the TFP to be a success, we are always looking to take lessons learned as we evolve the program. One thing that worked well in the first round was to focus on projects that are at a stage of

development that is close enough to construction for DOE to meaningfully evaluate, but far enough from commercial operations for DOE's support to be catalytic.

For this round, we have moved the required construction date to the end of 2029 to capture a broader set of projects, but still with the same goal in terms of development status. Second, we have improved our understanding of how DOE support can facilitate projects to construction and commercial operation, including the role of DOE's involvement in advancing supply chain issues, streamlining, permitting, giving workforce priority, and other non-financial impacts, which may be relevant no matter the location of the project or the relevant market, and cost-recovery mechanisms.

Third, to reduce the burden on applicants, we significantly reduced the amount of information requested in the part-1 application by over half to establish a more focused screening stage. In the same vein, we also established more prescriptive data requirements to focus applicants on the information that is most helpful to DOE and evaluating applications.

With these applicant enhancements, we also revisited our internal review process here at DOE and GDO. Here, we have both shortened the evaluation period and built in more two-way engagement between DOE and applicants, which we found very helpful in round one. I'll now pass the baton to my colleague and good friend, Gretchen Kershaw. Gretchen.

GRETCHEN KERSHAW: Thanks, Chris. So that's me, senior advisor on transmission in the Grid Deployment Office. We have now covered what is the TFP, what's the eligibility criteria, what do the selections look like for the first round. We're going to now transition into really talking about the nuts and bolts of our evaluation process, including the timing and the criteria for selection.

So let's start with a high-level overview of the process. Here, you can see on the slide, there are four major steps in the process. The first is the part-1 applications and DOE screening those applications. So the purpose of this phase is for applicants to provide an overview of their projects, and for DOE to do a quick screening to identify those projects that are most likely to be a successful match for the TFP, consistent with the goals of the TFP, which you heard about earlier, and the policy priorities that drive its implementation.

So then the second step of the process is the part-two applications and DOE's full evaluation. Because this step is rather resource intensive for both applicants and DOE, our aim is to use the part-1 screening to limit the number of projects that proceed to part two. And in part two, we will dive deep. We have a large team of federal staff and consultants, who will review and analyze your part-two applications against the criteria outlined in the RFP, which we are about to discuss in detail, don't worry, to determine which projects DOE should prioritize for DOE's limited funding available for TFP capacity contracts.

The third part of the process is selection. DOE publicly announces its selections. This generates a significant amount of press, excitement, both inside DOE and externally. And we work with selected applicants through this public announcement stage. Then the selected applicants move to the fourth part of the process here, which is your due diligence and contract negotiation. So during this step, DOE will validate the information that underlies the selection.

This includes requesting background documents from the selected applicants as well as contacting certain relevant entities. And at the same time, our legal team will be negotiating with selected applicants on the specific terms of the facilitation agreement, and other required agreements that Jeff mentioned earlier, and starting with the standard agreements that we will provide to applicants during part two.

This slide shows the anticipated timing, at least, of the next few milestones, from the issuance of the RFP to announcing selections. So we released the RFP on February 6. That opened up the window for potential applicants to start preparing their part-1 applications. That window closes, meaning that the part-1 applications are due on March 11. And again, we have our team ready to go. We're ready to receive applications, to review them, and to score part-1 applications consistent, again, with the quick screening aim of this stage so that we could inform applicants of whether they're invited to part two around mid April. And then those applicants that we invite to part two will only have six weeks to prepare and submit part-two applications consistent with the requirements in the RFP. We understand this is a short window. We strongly encourage potential applicants to review the part-two application requirements now before even submitting a part-1 application to understand what is required for part two and the timeline, as we do not anticipate granting extensions at this point.

As you can see on the slide, we anticipate part-two applications being due sometime in May. Note that detailed market, engineering, and financial reports are part of the requirements for part two. And then DOE expects to announce selections in October of this year. So this slide breaks down the timeline focused on just part one, which covers six weeks, during which things will move very quickly. So on March 11, all part-1 applications are due.

During this same week or so, DOE will send invitations to part-1 applicants for those applicants to virtually present their projects to DOE. During weeks two and three, part-1 applicants will submit their final presentation materials and do the virtual presentations. Then during weeks four and five, DOE will analyze the part-1 application and the presentation materials against the criteria for part one, which we'll go through in a minute.

And we may send written clarifying questions during this time with a quick turnaround on responses. And then moving out to week six, so around mid April, we expect to extend invitations to applicants for part two, and otherwise inform those who are not invited to proceed to part two.

So in part-1 applications, we asked for basic information about the project itself, of course. So miles, route, megawatts, then we ask about the project's value, its benefits, about the business case. This includes ownership, and management, generation resources, targeted load centers, likely off takers, anticipated rates, and competition. We ask about renewable generation that's enabled. This is a proxy for evaluating the project's contribution to those national and subnational greenhouse gas reduction goals. We asked about the use of advanced technology, contribution to inter-regional transfer capacity, then we ask about community benefits the project will provide to impacted communities, barriers to the project being built in as timely a manner, or with as much capacity, and the schedule for the construction, risks, and mitigation.

Now moving into the part-on criteria. So during part one, DOE will be scoring applications using five criteria, as you can see on this slide. And I'm going to explain each of these criteria over the next few slides. But just want to set the stage with the-- sort of the picture. The five criteria here are the strength of the business case, the catalytic impact of DOE support, community benefits associated with the project, contribution to renewable energy development, advanced technology deployment, and inter-regional transfer capacity, and the likelihood of starting construction on the project by the end of 2029.

So DOE will score all the projects on each criteria, weight them, as you can see on this slide, and then invite the top scoring projects to submit part-two applications. So earlier in this webinar, we talked a little bit about the certifications that DOE must make to award a capacity contract. And you will note that the

criteria are directly linked to these certifications. So the project is in the public interest, the project is unlikely to be constructed in as timely a manner, or with as much capacity, in the absence of DOE facilitation.

And there's a reasonable likelihood that DOE will recover the committed funding consistent with the revolving fund nature of the program. So the first part-1 criteria is that the part-1 application demonstrates sufficient potential for the proposed project's business case to be compelling, such that DOE is reasonably likely to recover its costs if it enters into a capacity contract.

So in this stage of the process, again, we're in part one, we are looking at the business case for the project to help us determine if there are strong fundamentals. We want to know that the supply and demand market conditions exist for a successful project. We want to understand project financial risks and whether the transmission appears to be marketable. So the score for this criteria will be weighted at 30% of the total score, as this is a critical program priority.

The second part-1 criteria is that the part-1 application demonstrates that TFP support has a significant potential to accelerate the development of the proposed project and or to increase the capacity of the proposed project. And this is tied directly to that second certification about catalyzing the project to be constructed or catalyzing more capacity in the project.

So here, what we want to understand is the story of how a TFP capacity contract will make the project successful, whether that is tied to a specific financial contribution, or non-financial value of sort of DOE's stamp of approval for the project. As mentioned earlier, we learned through the first round that DOE support may advance supply chain issues, streamline permitting, give workforce priority, and have other non-financial impacts that are really relevant to the scoring of this criteria.

So we want applicants to highlight specific barriers to the project's success that may be overcome by way of DOE's capacity contract, and how. The score for this criteria, as you can see here, will be weighted at 25% of the total score with the highest scoring projects on this criteria being those that clearly demonstrate how DOE's involvement will catalyze the project beyond specifically identified barriers.

The third part-1 criteria is that the part-1 application demonstrates sufficient potential, against sufficient potential is sort of the lingo for part one, what we're looking for, for the proposed project to provide substantial benefits and reduce negative impacts to communities of interest. And this goes to the public interest certification for TFP. As mentioned earlier, it's a matter of policy. DOE requires applicants for funding under bipartisan infrastructure law programs to submit community benefits plans with their applications.

Although we are not requiring applicants for TFP capacity contracts to submit full community benefits plans until part two, we do require part-1 applicants to include some information on the community benefits associated with the project, and any sort of planned efforts that they have. And we, again, similar to the prior criteria, we want applicants to be as specific as possible here. So for example, if you have dollar figures and timelines for community investment, tell us. If you have engaged with specific entities, tell us their names, how you have engaged with them, and when.

We are looking for specific actions that have, and will, be taken to provide benefits to impacted communities, and to reduce negative impacts of project development. So focusing on direct investments, direct job creation, direct stakeholder engagement, and how you will address community concerns at a high level, will help us understand how evolved your project is around increasing community benefits.

This is important because we know that strong community engagement and stakeholder investment leads to projects that are more likely to be successful and to contribute to a fair and equitable clean energy transition. And the score for this criteria is weighted at 15% of the total score, which again, illustrates the significance of community benefits to DOE.

The fourth part-1 criteria is also linked to the public interest certification. And this is the part-1 application demonstrates sufficient potential for the proposed project to contribute to the three priorities outlined in the statute. So the first is enabling new renewable generation and increasing market access for existing renewable generation. That's a proxy for that statutory contribution to national and subnational goals to reduce greenhouse gas emissions.

Also, applying current technology in demonstrably new ways, and or applying advanced technology in the project design. And then the third is facilitating increased inter-regional transfer capacity. So helpful information here for this criteria includes details on new renewable generation projects that may be facilitated by the project, including any engagement with those projects. Details on historic or anticipated curtailment of existing renewable generation, that may be alleviated by the project.

Explanation of how the project is incorporating best practices with regard to the use of advanced technologies to ensure the greatest benefits are being held by the project. And details concerning the need for, and contribution to, increased inter-regional transfer capacity. And just to note that referencing our 2023 national transmission needs study may be relevant in demonstrating the project's contribution to some of these priorities. And the score for this criteria will be weighted at 15% of the total score for part 1. So our fifth and final part-1 criteria is that the part-1 application demonstrates sufficient potential for the applicant to begin construction of the proposed project by the end of 2029. So this criteria values applicants that show a schedule that is reasonable, right, we want the schedule to be reasonable, and that the applicant understands the risks to that schedule and has a plan to mitigate those risks. And the score for this criteria will be weighted at 15% of the total score.

So now, moving on to part 2. So at this point, we have a subset of the original applicant pool that we have invited to part 2. And we are proceeding to a period of substantial information gathering and back-and-forth interaction between DOE and the applicants. So first, of course, applicants will submit part-2 applications consistent with the requirements in the RFP. From there, after we receive those applications, DOE will organize in-person presentations from each part-2 applicant in Washington DC.

And the purpose of these meetings will be for DOE's team to gain a more fulsome understanding of each project through this back-and-forth discussion, ask questions that may have arisen during evaluation already, and ask questions during the presentation itself. In addition to this in-person presentation, as the team proceeds through evaluating applications after the in-person presentations, DOE may send additional questions via email. And depending on the project, we may reach out to local or regional transmission planning entities to discuss your project with them.

And then finally we plan to arrange a final question-and-answer virtual session with applicants before making final decisions. So as you can see, we've built a substantial amount of interaction between DOE into the process and into the schedule to make sure that we accurately understand not only the details of the project when we score it, but also sort of the full picture, cutting across the different criteria. Make sure we understand the vision that the applicants have for their project, and how it fits in with all of the criteria. These are complex projects. They have a lot of nuance. We know that. And we learned from our first round the value of allowing for a lot of two-way communication along the way.

All right. So setting that-- set the stage, what do we require for your part-2 application? So in addition to what we asked for in part 1, we asked for detail and documentation on a lot of aspects of the project. So we asked for a project plan. This includes equipment, procurement, land rights, permitting, interconnection, as well as risk and mitigation plans. We also asked for financial information. We asked for pro-forma financial statements, and financial model, and audited financial statements.

We also asked for both a market and an engineering report. So on the market side, we want detailed assessments of generation supply, demand. We want plans to market the unsold capacity. We also want to know about the available-- availability of transmission capacity to get from that generation all the way to the targeted load centers.

We want to know about the competitiveness of the delivered supply. And we want to know about opportunities for DOE to exit the capacity contract, ideally before commercial operation. And then on the engineering side, we want a detailed assessment of the design, equipment procurement, construction, and risk management plans. And we also asked for detailed greenhouse gas modeling as well as a robust community benefits plan.

So now, we'll move to the part-2 selection criteria. So during part-2, as you can see on this slide, we'll be scoring applications using eight criteria. And I'll explain each of the criteria like I did for part 1 on the following slides. But from-- just to set the stage here, you can see the eight criteria and their respective weighting. And the five dark blue criteria are the policy factors, both those directly from the bipartisan infrastructure law and additional community benefits factor.

And some of these may look familiar from part 1. They're, again, linked to the certifications that you must make to award a capacity contract. So as for part 1, the first part-2 criteria, which is weighted at 33% of the total score, is whether it's reasonable to expect that the proceeds from the proposed project will be adequate to enable recovery of TFP financial support.

So as explained, and I know we keep saying this, but we want to make sure it's very clear, the TFP is a revolving fund. DOE wants to serve as a temporary stopgap to help your project gain momentum to get to the notice to proceed, to get to other key milestones. But we do not actually want to use transmission capacity on the project after it achieves commercial operation.

So in other words, our goal is to exit the capacity contract prior to any transmission capacity actually being available on the line, and then to reinvest the funding in another transmission project. So the importance of DOE's ability to recover these funds to continue the program is reflected in this value attributed to this criteria.

So the way we will evaluate this criteria includes a number of different factors. So we review the ownership structure, the management structure, we look at employee qualifications, we look at investors in the projects, we look at the equity funding plan, and the debt structure, and those pro-forma financial statements to assess the capability of the applicant. We want to know the applicant will be capable of moving not only through development and construction, but then into operation of the project while DOE may be in a capacity contract.

We will also review generation resources associated with the project. This includes not only the resource potential, but also identified existing and planned generation projects that may use the line, and also the competitiveness of this potential supply, to be delivered on the project. We'll also evaluate information on potential transmission users, plans to market unsold capacity, and opportunities and mechanisms for DOE to exit the capacity contract.

So in your application for this criteria, it is essential to thoroughly explain each of the components of a strong business case. So we need to know about supply and demand. We also need to know about competitiveness of the supply and demand, the market for the potential products to be delivered on the project. And sort of star, star, do not forget to describe how DOE can exit its capacity contract.

So for example, the mechanisms for DOE to exit may span in difficulty from-- for DOE from the applicant buying out DOE's capacity contract at a certain point, that's the easiest way out, all the way to DOE making short-term sales in a bilateral market for years and years until the capacity contract naturally expires.

The second part-2 criteria, as for part 1, is focused on DOE's catalytic impact. So this one is the proposed project is unlikely to be constructed in as timely a manner, or with as much transmission capacity, in the absence of TFP support. And that's, again, either financial support or participatory support of having DOE as a partner.

So for part 2, this criteria is weighted at 17% of the total score. As explained earlier, maybe more than once, but bears repeating, we understand that the impact of DOE support is not limited to overcoming financial barriers. So we strongly encourage applicants to take the time to clearly articulate the barriers to the success of their project. Specifically state how DOE support can help overcome those barriers. Be creative. We know that not all projects need what DOE can provide, via capacity contract with the TFP. We will use this criteria to help guide the deployment again of our limited funding, where it will have the greatest impact. Next, here, this slide has criteria three through seven, which are the policy factors, and together, are weighted at 35% of the total score, or 7% for each of the factors. As noted earlier, each policy factor contributes to DOE's determination that the selected project is in the public interest.

So criteria three is focused on community benefits. And it will equally weight each of the four areas listed here as judged from the community benefits plans that applicants submit. The first is supporting meaningful community and labor engagement. The second is investing in America's workforce. The third is advancing diversity, equity, inclusion, and accessibility. And the fourth is contributing to the Justice40 initiative.

So we encourage applicants to take community benefits planning seriously. Limited stakeholder outreach, limited investment in the community leads to projects not being developed due to community opposition. We want to partner with project developers who take community benefits planning seriously. We know these are the projects that are more likely to be built and to ensure a fair and equitable clean energy transition.

Criteria four is focused on the role of advanced technology in the project. So this includes reconductoring of an existing line with advanced conductors, use of hardware or software that enables dynamic line ratings, advanced power flow control, or grid topology optimization, and or the use of high-voltage direct current technology. So we're looking for projects that are moving forward for business as usual. They're moving forward from that sort of status quo to maximizing the benefits of new transmission investments. As for criteria five, while building new transmission generally improves resilience and reliability, we want more than generalizations. We would like applicants to tell us how their projects specifically will enhance reliability and resilience, how it will keep the lights on when the grid is stressed, what specific aspects of their project will do this. Similarly, for criteria six, we value inter-regional transfer capacity highly. We know that there are unique challenges to building across seams.

And so we want to partner with and support projects that enhance this category of transmission capacity specifically. But again, we need to know specifics, how your project and the details of your project will contribute to increased inter-regional transfer capacity. And finally, for criteria seven, we will evaluate how a project will contribute to national or subnational goals to lower electricity sector greenhouse gas emissions, which will be based on that detailed greenhouse gas modeling that we require as part of part-2 applications.

So the eighth and final part-2 criteria, weighted at 15% of the total score, is whether the applicant is reasonably likely to begin construction of the proposed project no later than December 31, 2029. So in scoring this criteria, we're going to review your proposed project schedule. This includes equipment procurement plans, interconnection, land rights, permitting, construction and risk management plans, along with the details of the independent engineering report, which is required as part of part 2.

We will look for projects with a strong plan that reflects knowledge and expertise of what it takes to get a transmission project built. Transparency about the risks of your project schedule is strongly encouraged. It will show us that you are not hiding the ball. You understand the real risks to transmission development, and are prepared to manage those risks. We want to see that in your proposals. So we've gone through the criteria, but I want to highlight also the additional factors in the RFP that may impact the final mix of the projects selected for capacity contracts this round.

So we've noted it a few times. But we have limited funds for the TFP. So a key consideration will be whether a capacity contract for a proposed project optimizes the use of available funding. And similarly, we'll deliver the greatest benefits for the least amount of TFP funding. So we want to make the TFP dollars go as far as possible. Applicants should propose a capacity contract structure that consumes the least amount of TFP funding while still catalyzing the project over the finish line, over those identified barriers.

We'll also be looking at geographical distribution of projects. We want to catalyze transmission deployment across the country. We want to catalyze it where it is most needed. Other potential impacts on final selection are focused on maximizing deployment of additional transmission capacity or maximizing system resilience and reliability, and on leveraging existing infrastructure facilities and workforce skills.

So now that we've covered all of those nitty details, I'm going to pass the baton back to Chris, who is going to take you through a few application tips.

CHRIS LYLES: My goodness, Gretchen. You might need a big drink of water, my friend. That was a lot. So thanks for carrying us through part one and part two. I'll pick it up on application tips. So the following slides are going to cover some tips to keep in mind when completing applications, both for part one and part two.

And as Gretchen was talking about really important topics that she found valuable, she gave it two or three stars as far as importance, this tip, I would give five stars. So really, pay attention to this one. One thing that I want to make abundantly clear is that DOE has to obligate the entire contract value. This is super important to really focus on this area. We have to obligate the entire contract value, meaning the term of the contract multiplied by the rate for each megawatt of capacity multiplied by the total number of megawatts per year.

So the practical impact is that the total contract value is obligated from day one of signing a capacity contract with you and cannot be used for any other project until a DOE has exited the capacity contract. So [INAUDIBLE] with the project, that money is tied up and is obligated, and impacting our TFP books. So as an example, to put this concept into real terms, if an applicant proposes that DOE contract for 100 megawatt of transmission capacity for 20 years at a rate of \$8.00 per kilowatt month, DOE must obligate \$192 million. So DOE must set aside the money for one year of that contract, as well as years two through 20. Since we want to make our dollars and TFP spread as far as possible, we ask that applicants carefully consider that for DOE, the lower the total DOE contract value to the capacity contract value, the lower the value, the better, and that a robust DOE exit strategy is ideal, as Gretchen mentioned. Our exit strategy is paramount to us. So if you can clearly describe that in your application, that would be perfect. For our next tip, ask questions. As Gretchen mentioned, there's a lot of two-way communication built into this part one and part-two application. We plan to ask you a lot of questions in the process. And we encourage you to ask us a lot of questions as well.

So from the first round, we found that ongoing two-way communication is a key to success. You can email us at the email shown here on the slide. Give us-- give us a few business days to respond. We will also post anonymized questions on our website in our FAQs that we think will help all applicants. The final tip, be clear, concise, and transparent. We touched on this a little bit earlier. But it is OK for you to have project risks and weaknesses. That's just part of a project in these different stages of development. It's even better if you're open with these, and let us know how you plan to mitigate those risks.

We also are asking for a lot of information. And you might not have everything. But be clear if you don't have an item and explain why. This avoids us going in circles, trying to obtain missing information that is simply unavailable rather than unintentionally overlooked. The application asks for a lot of technical information. And we know that technical information sometimes does need to be jargon filled. However, keep in mind that reviewers come from a wide range of backgrounds.

Where you can explain your project in plain terms and in the terms used in the criteria set out in the RFP, this will help ensure we understand your project, and where the details you provide fit into the evaluation process. We want to be good project partners through the TFP. And clarity and transparency will help us in having a solid foundation from which to work together to see your project to the finish line.

If DOE does not select your project for a capacity contract this round, it does not mean it might not be the right project for another opportunity. We take relationship building seriously, as we hope to roll in the same direction into the new energy future. So let's work together to see if TP is a best fit for your project. Thank you for participating. And I'll hand it back over to ICF here in a bit.

So this final slide is-- this is a link to our FAQs, as well as the email, again, to send us your questions as we work through this process. Thank you for your time today, and appreciate you listening to us.

WHITNEY BELL: Thank you so much, Chris and Gretchen. So we now have time for Q&A. So please continue inputting your questions into the chat. I did want to let you know, if some questions are very similar, or if there are duplicates, we have combined them to-- and we're going to do our best to address the relevant points in our responses there.

Any questions that are not answered during today's Q&A may be used to inform an FAQ. So just wanted to let everybody know that. So let's go ahead and get started. We bring the-- Gretchen up on here. I think

our first question is for Gretchen. All right. Hi, Gretchen. If we applied for round one, can we apply for round two?

GRETCHEN KERSHAW: Great question. So yes. You cannot apply for the same project that's already been selected and received a capacity contract through TFP. But the same developer can apply again, and can apply for projects that were not selected already through the TFP.

WHITNEY BELL: OK, thank you. This next question is for Chris. Can DOE provide funding for development-period costs such as equipment deposits?

CHRIS LYLES: So this RFP is solely for capacity contracts. So there are a couple of different tools under the TFP. But this specific RFP is for capacity contracts. So DOE is buying capacity on a to-be built transmission line to become, or essentially, becoming the anchor tenant, the first tenant on a transmission line. So this RFP cannot be used in that case as far as buying equipment. It's solely for a capacity contract acquisition.

WHITNEY BELL: OK, thank you, Chris. And then Jeff, we have a question for you now. Are capacity contracts available in organized markets like PJM?

JEFFREY DENNIS: Yes. Capacity contracts can be utilized in a variety of different market structures in the United States as well as under a variety of different transmission development business models. We learned in round one of the program that there are many different ways that capacity contracts can act as a catalyst for transmission project development under a wide variety of circumstances, be it different forms of expected cost recovery of the project, different market structures where the project is located, and again, different business models among transmission developers.

We saw several just in our first round. And so we're looking for applicants to explain and to be creative, as Gretchen mentioned earlier, to think expansively about how a TFP contract will catalyze development of your project given your particular business model and market structure.

WHITNEY BELL: OK, thank you for that clarification there. Another question here for you, Jeff. Is there funding in the TFP for local governments to expand capacity to conduct planning, community engagement, and engage in specialized legal services?

JEFFREY DENNIS: There is not funding for those types of activities, specifically in TFP. However, I would encourage you to go to GDO's website and check out our transmission and programs conductor, where we have a number of additional programs that can support a wide variety of planning and development activities for a wide variety of funding activities. So TFP is not the place for that. But other GDO programs may be available to help with what the person asking the question is looking for there.

And certainly, if the program conductor doesn't help you out, you can always submit a generic request to us at GDO, and we can try to answer that question for you.

WHITNEY BELL: Great. Chris, this is for you. This person is not understanding. They're like, is this a loan program? It's not a grant. Can you kind of explain the difference here? They're a little bit confused about the term, capacity contracts.

CHRIS LYLES: Sure. Yeah, so yeah. You're right. This is not a loan. This isn't a grant program. DOE is evaluating projects. Right? And we're evaluating them based on a lot of the things that Gretchen mentioned, the different criteria. Because we are intending to become a project partner through buying capacity on a to-be-built transmission line. So the intent is to facilitate the development of the transmission line by helping it-- helping a transmission line, or a project, over the hurdle of getting a first customer.

So we become that anchor tenant. We become that first customer. Our intent is to hold that capacity for a bit. But we would like to get out of it. So a lot of Gretchen's discussion was around exiting, providing a clear exit strategy for DOE. But if that does not work, and we go into commercial operation, we'll still hold that capacity and operate just as any other capacity holder would. So this is actually buying. But I'd consider a product of capacity. It is not alone. And it's not a grant.

WHITNEY BELL: OK, thank you. This one is a follow up to something that was said earlier. They're saying, can you please provide some specific examples of how a transmission project directly impacts the disadvantaged communities besides jobs? Do you have any specific examples that you can give there?

CHRIS LYLES: Yeah, I can jump in on that a bit. So when a transmission line project submits to TFP, one of the big parts of that submission is a community benefits plan. And there are a lot of additional benefits other than jobs that disadvantaged communities can benefit from a transmission line. Some of that might be access to low-cost electricity that the transmission line is developed-- delivering to that area once it's constructed, improved reliability and resilience. So we all like reliable electric service at our houses and transmission lines.

New transmission lines can provide that as well. But developers, as part of their CBPs, Community Benefits Plan, they can also include community assets for disadvantaged communities like schools, or parks, or improvements to other infrastructure within those communities to help offset the potential impact of a transmission line running through that community.

WHITNEY BELL: Great, thank you for that. Gretchen, this question is for you. We note that various announcements about TFP mentioned a potential later phase regarding public private partnerships. What is that? And will-- when will it be launched?

GRETCHEN KERSHAW: Yeah, so as Jeff noted, the transmission facilitation program has three different mechanisms. One is direct loans, one are capacity contracts, which we've been talking about today, and one are public-private partnerships. And so we-- we had a lot of lessons learned about the value of capacity contracts, which led us to issue this RFP and continue to focus on this really unique valuable mechanism. But we are also anticipating issuing an RFP soon focused on public-private partnerships for connecting microgrids, which the statute focuses on Alaska, Hawaii, and the US territories.

WHITNEY BELL: Thank you. I have another question for you, Gretchen. Will this contract opportunity be available in 2025 and future years?

GRETCHEN KERSHAW: I'm not sure what the focus of what contract opportunity we're talking about.

WHITNEY BELL: I--

GRETCHEN KERSHAW: I mean, the goal-- I will say the TFP, right, it's a revolving fund. Our goal is that we are getting back any financial contributions for the projects that we have selected, projects that we will select, and then we'll be able to reinvest and deploy in-- with future transmission projects as well. So our hope is that we are continuing to have the transmission facilitation program, and it's successful, and continues to revolve.

WHITNEY BELL: Thank you. Jeff, is a TFP contract amount inflation adjusted?

JEFFREY DENNIS: Well, a couple of ways to maybe answer this question, the total fund that Congress made available to us is not adjusted for inflation. We will-- applicants, when they propose a capacity contract, they will propose pricing for our consideration. They may choose to include an inflation adjustment in that proposed pricing.

And we would reflect that adjustment in our evaluation of the total amount of funding that would be required under their proposal, and that we would be required to obligate from TFP. So inflation can certainly be part of our analysis and in part of the proposals. And hopefully, that answers the question.

WHITNEY BELL: Thank you. Chris, any estimate for time required for due diligence in contract negotiations?

CHRIS LYLES: I can base my assessment off of what we just experienced with round one. So due diligence for round one was around the two to three-month mark. And contract negotiations were around the four-- four-month mark right now. But as we mentioned too, we had a lot of lessons learned through this round one. And I think we can do better as far as applying lessons learned, and really improve on those timelines, and pull the schedule back, and I think reduce those times that we expected or that we saw on round one.

WHITNEY BELL: And thank you. So can someone-- and Gretchen, you might be the best person for this. Can you provide a definition of construction ready? And I'm putting that in quotes. Chris had mentioned something about being as close to construction as possible. But they would like a little bit more context around that.

GRETCHEN KERSHAW: Chris, do you-- I'm not sure I have a ton of expertise in that. But I can look at the-- look for more information.

CHRIS LYLES: Yeah, so if we're talking about construction ready, you're looking at the initial stages of construction. Right? So procuring long lead time items, getting contracts in place with engineering procurement and construction contractors. So that is really what we're looking for as far as kicking off or starting construction. I don't know if that ties back to the question appropriately.

WHITNEY BELL: Thank you. Jeff, any consideration to ensure that microgrid-- that the microgrid's territory includes US tribal lands, where there remains a large number of homes that don't have access to the grid?

JEFFREY DENNIS: Sure. With the caveat that we'll have a lot more to say about how we intend to approach public private partnerships for to support development of transmission to connect remote micro grids under that part of our statute. So definitely stay tuned for that. But under that piece of the statute, our ability to support those kinds of projects is defined to include Hawaii, Alaska, and US territories. There are several tribal nations and tribal communities in Alaska that could potentially take advantage of such a program.

There are similarly such communities in Hawaii and territories as well. But the statute kind of limits us to those two states and US territories in terms of our application of that particular part of TFP. But again, more to come on that as we announce a further solicitation in the near future, as we talked about earlier.

WHITNEY BELL: Thank you. Chris, this is building off of the question that was just answered for Gretchen. Is a third round anticipated for capacity contracts in, I'm assuming, fiscal year 2025? Or contract year 2025?

CHRIS LYLES: Yeah, I'd be reluctant to say yes to that right now, primarily because a TFP is bound by 2.5 billion. Right? And we've committed 1.3 on round one, and yet to be determined for round two. So but it is-- it's a revolving fund. So if we have funds available in TFP, and we're not bumping up against the 2.5, then we'll continue to offer capacity contracts or one of the other tools in TFP. So I really can't say if round three is in the cards for right now until round two shakes out and we figure out what projects were submitted, and we go through the applications, and evaluation, and selection phase.

WHITNEY BELL: Thank you so much. Gretchen, this one is for you. Will DOE-owned portion of capacity on a line be considered more firm than non DOE? Will generators signing up be discouraged if they can't get DOE-owned capacity?

GRETCHEN KERSHAW: Great question. So as mentioned, we are negotiating contracts with the transmission developers. One of those is entering into the actual capacity contract, which defines DOE's capacity rights. But we expect that the service offered to DOE is offered on comparable terms to non-DOE transmission users.

We expect that the transmission lines are subject to FERC jurisdiction, generators interconnecting to those lines, or using those lines will secure transmission under FERC's open-access rules the same as if DOE were not having contracted for capacity on the line.

We are unique, of course, because we are a federal agency. And we're operating under the statute. But for purposes of transmission service, we look a lot like any other customer on a transmission line.

WHITNEY BELL: Appreciate that. All right. Jeff, does this program consider PMOs either expressly including or excluding their participation?

JEFFREY DENNIS: Thanks, Whitney. I think that the questioner is probably asking about the power marketing administrations, or PMAs. These are DOE entities that operate significant portions of the transmission system and provide service to customers in several areas of the country. They are not expressly included or excluded. And certainly, projects that are working with PMAs in PMA territory, or otherwise, are eligible to participate in the program.

And in fact, during our first round, as Chris mentioned, one of our projects, Southline, is a project that was originally catalyzed through a partnership with Western Area Power Administration, one of our power marketing authorities. And that project later found our program useful to further its development. So there's certainly opportunities to work with-- and partner with PMAs in these projects. And we'll certainly consider that as we go forward.

WHITNEY BELL: Great, thank you. And then I believe this is going to be our last question for the day. So Chris, is it accurate to assume that any loan guarantees being requested are not in the same bucket as the capacity contract in terms of funds being requested?

CHRIS LYLES: Yes, that is a safe assumption. So capacity contracts is a tool under TFP that is not part of any type of loan guarantee. If we're talking about maybe DOE's loan program office playing into TFP, this is one funding source that can't be combined with the TFP capacity contract.

WHITNEY BELL: All right. Well, I'm not seeing any other questions coming in. So I am going to say that answer wraps up today's Q&A. So thank you so much, all three of you, for rapid fire answering all of those questions as they came in. And thank you to all of our attendees for those excellent questions.

Additional information and resources can be found on the Transmission Facilitation Program web page. You can find that link in the chat now. You can also send your questions to the email address on your screen and in your chat. That is transmissionfacilitation@hq.doe.gov. And as a reminder, a copy of today's slides will be available on the webinar's page by Monday. And the recording will be available on that same page in about two weeks.

We will send you an email when that is available. You can find that link to that page in the chat as well. Jeff, Gretchen, Chris, thank you so much for joining us today. And thank you to all of our attendees for participating. Take care, everyone. And we'll see you next time.