



Business Practice: Interconnection Customers Option to Build

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Purpose

The purpose of this business practice is to clarify PNM's requirements for an Interconnection Customer electing to exercise the Option to Build under PNM's OATT in Article 5.1.3 of the Standard Large Generator Interconnection Agreement ("LGIA").

Option to Build Election

After receipt of the Facilities Study Report but prior to the receipt of the draft LGIA, the Interconnection Customer shall notify PNM within thirty (30) Calendar Days whether they elect to exercise the Option to Build for any Transmission Provider Interconnection Facilities and/or Stand-Alone Network Upgrades or if they wish to modify their previously communicated election of its Option to Build. The Interconnection Customer's notification shall specifically identify what Transmission Provider Interconnection Facilities and/or Stand-Alone Network Upgrades that the Interconnection Customer will design, procure and/or construct. The notification shall also contain the dates by which the Interconnection Customer proposes to complete its design, procurement and/or construction of any Transmission Provider Interconnection Facilities and/or Stand-Alone Network Upgrades. PNM will review the proposed completion dates to determine if they are acceptable based on the estimated time required for any PNM oversight activities that must occur. If the Interconnection Customer notifies PNM that it intends to exercise its Option to Build for any Transmission Provider Interconnection Facilities and/or Stand-Alone Network Upgrades, PNM will draft the scope of work responsibilities in the LGIA accordingly.

After the LGIA is executed, PNM will provide a list of pre-approved vendors for the specific equipment and/or activity selected by the Interconnection Customer. It is highly recommended that Interconnection Customers choose pre-approved PNM vendors to provide design, procurement and/or construction activities. Failure to select pre-approved vendors can result in the need for additional time for PNM to review design, procurement and/or construction activities, which may result in longer overall project timelines. PNM will also provide its relevant design, procurement and/or construction standards as applicable. The Interconnection Customer, and any vendors hired by the Interconnection Customer will be required to follow all PNM standards for design, procurement and construction activities, subject to PNM oversight.

The process for Option to Build follows the process shown in below. Note that PNM performs design reviews at various stages of the project (30%, 60%, and 90%) that involve various department input and sign offs.

Requirements

The requirements for Interconnection Customer Transmission Provider Interconnection Facilities and/or Stand-Alone Network Upgrades for Design, Procure, and Construct Are Listed Below.



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Design

If the Interconnection Customer selects engineering services providers pre-approved by PNM to perform ALL design of Transmission Provider Interconnection Facilities and/or Stand-Alone Network Upgrades, then the following will be required:

- 1) Follow PNM's standard engineering design review process. PNM's design review process will occur on a similar timeline that PNM would use if PNM were responsible for the design of all Transmission Provider Interconnection Facilities and/or Stand-Alone Network Upgrades. Any delays in the provision of the relevant information required by PNM for its engineering review process will result in a minimum day for day slip of the remaining project milestones. PNM shall provide its engineering review schedule based on what Transmission Provider Interconnection Facilities and/or Stand-Alone Network Upgrades the Interconnection Customer has chosen to design along with relevant policies specifically defining what is required to be provided by the engineering service provider at each step of the process.
- 2) Provide PNM the detailed design schedule for any Transmission Provider Interconnection Facilities and/or Stand-Alone Network Upgrades. If the Interconnection Customer requires a non-standard, accelerated schedule, all costs associated with acceleration shall be borne by the Interconnection Customer and considered Direct Assigned.
- 3) Ensure that all engineering services providers capture costs separately for each asset location. It is recommended that the Interconnection Customer coordinate with PNM to ensure PNM's asset classifications are understood by the Interconnection Customer and its selected engineering services providers. Failure to capture costs accurately will result in PNM categorizing unassigned or inaccurately assigned costs as Direct Assigned to the Interconnection Customer.
- 4) Ensure that all engineering services providers capture costs separately for Transmission Provider Interconnection Facilities or Stand-Alone Network Upgrades. Failure to separate the costs between these two categories will result in all costs being categorized as Transmission Provider Interconnection Facilities and Directly Assigned to the Interconnection Customer, accordingly.
- 5) Provide PNM a detailed cost summary for all engineering services for Transmission Provider Interconnection Facilities or Stand-Alone Network Upgrades. This shall include detailed bills of material.

If the Interconnection Customer selects an engineering service provider that has not been pre-approved by PNM to perform the design of ANY of the Transmission Provider Interconnection Facilities and/or Stand-Alone Network Upgrades, then the following will also be required:



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6) The Interconnection Customer must provide PNM with documentation (references) demonstrating the qualifications of the selected engineering service provider that reasonably demonstrates its ability to design Transmission Provider Interconnection Facilities and/or Stand-Alone Network Upgrades to PNM's standards. The overall project milestones must include a reasonable period of time for PNM to review the qualifications of the engineering service provider prior to any formal engineering services being provided.

7) Interconnection Customer shall consult with PNM and receive written prior approval, such approval not to be unreasonably withheld, before entering into any engineering service contracts related to constructing any Transmission Provider Interconnection Facilities and/or Stand-Alone Network Upgrades.

Procurement

If the Interconnection Customer elects to procure ALL Transmission Provider Interconnection Facilities and/or Stand-Alone Network Upgrades from vendors pre-approved by PNM, then the following will be required:

1) Interconnection Customer must provide PNM with all bids received from vendors proposing to provide equipment for Transmission Provider Interconnection Facilities or Stand-Alone Network Upgrades.

2) All equipment procured by the Interconnection Customer for Transmission Provider Interconnection Facilities or Stand-Alone Network Upgrades shall be warrantied to the same standard as PNM would require if it were procuring the same equipment. PNM shall provide its warranty standards for each type of equipment which the Interconnection Customer will procure.

3) Provide PNM the detailed procurement schedule for any Stand-Alone Network Upgrades. If the Interconnection Customer requires a non-standard, accelerated schedule, all costs associated with acceleration shall be borne by the Interconnection Customer and considered non-reimbursable. Acceleration costs must be captured separately by the vendor providing the equipment for Stand Alone Network Upgrades.

4) Ensure that all vendors capture costs separately for each asset location. It is recommended that the Interconnection Customer coordinate with PNM to ensure PNM's asset classifications are understood by the Interconnection Customer and its selected vendor. Failure to capture costs accurately will result in PNM categorizing unassigned costs as Direct Assigned to the Interconnection Customer.

5) Ensure that all vendors capture costs separately for Transmission Provider Interconnection Facilities or Stand-Alone Network Upgrades. Failure to separate the costs between these two categories will result in all costs being categorized as Direct Assigned to the Interconnection Customer.



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6) Transfer ownership of all Transmission Provider Interconnection Facilities and/or Stand-Alone Network Upgrades once PNM has provided its acceptance of equipment being mechanically complete and prior to any energization activities. Ownership documents shall be on forms provided by, and in terms acceptable to PNM.

If the Interconnection Customer selects to procure equipment for ANY Transmission Provider Interconnection Facilities and/or Stand-Alone Network Upgrades from a vendor that has not been pre-approved by PNM, then the following will also be required:

7) The Interconnection Customer must provide PNM with documentation demonstrating the qualifications of the vendor that reasonably demonstrates its ability to provide equipment for Transmission Provider Interconnection Facilities and/or Stand-Alone Network Upgrades which meet PNM's standards. The overall project milestones must include a reasonable period of time for PNM to review the qualifications of the equipment provider prior to any equipment being formally procured. If the Interconnection Customer elects to procure any major equipment such as transmission level transformers or circuit breakers from a vendor not pre-approved by PNM, PNM may require a full onsite audit of the vendor manufacturing facility and construction standards prior to approval of the acceptance of any such equipment to be provided by the vendor.

8) The Interconnection Customer shall consult with PNM and receive prior approval, such approval not to be unreasonably withheld, before entering into any and all procurement contracts related to constructing any Transmission Provider Interconnection Facilities and/or Stand-Alone Network Upgrades

Construction

If the Interconnection Customer selects a pre-approved vendor to construct ALL Transmission Provider Interconnection Facilities and/or Stand-Alone Network Upgrades, then the following will be required:

1) Provide PNM with all bids received from vendors proposing to construct Transmission Provider Interconnection Facilities or Stand-Alone Network Upgrades.

2) Provide PNM the detailed construction schedule for any Transmission Provider Interconnection Facilities and/or Stand-Alone Network Upgrades. If the Interconnection Customer requires a non-standard, accelerated schedule, all costs associated with acceleration shall be borne by the Interconnection Customer and considered non-reimbursable. Acceleration costs must be captured separately by the construction vendor.



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- 3) Ensure that all vendors capture costs separately for each asset location. It is recommended that the Interconnection Customer coordinate with PNM to ensure PNM's asset classifications are understood by the Interconnection Customer and its selected vendor. Failure to capture costs accurately will result in PNM categorizing unassigned costs as Direct Assigned to the Interconnection Customer.
- 4) Ensure that all vendors capture costs separately for Transmission Provider Interconnection Facilities or Stand-Alone Network Upgrades. Failure to separate the costs between these two categories will result in all costs being categorized as Direct Assigned to the Interconnection Customer.
- 5) Transfer ownership of all Transmission Provider Interconnection Facilities and/or Stand-Alone Network Upgrades once PNM has provided its acceptance of equipment being mechanically complete and prior to any energization activities. Ownership documents shall be on forms provided by, and in terms acceptable to PNM.

If the Interconnection Customer selects a construction vendor that has not been pre-approved by PNM to construct ANY of the Transmission Provider Interconnection Facilities and/or Stand-Alone Network Upgrades, then the following will also be required:

- 6) The Interconnection Customer must provide PNM with documentation demonstrating the qualifications of the selected construction vendor that reasonably demonstrates its ability to construct Transmission Provider Interconnection Facilities and/or Stand-Alone Network Upgrades to PNM's standards. The overall project milestones must include a reasonable period of time for PNM to review the qualifications of the construction vendor prior to the start of construction activities.
- 7) The Interconnection Customer shall consult with PNM and receive prior approval, such approval not to be unreasonably withheld, before entering into any and all construction contracts related to constructing any Transmission Provider Interconnection Facilities and/or Stand-Alone Network Upgrades.



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Figure 1: Option to Build Guideline Process

