
A BILL FOR AN ACT

RELATING TO RENEWABLE ENERGY.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF HAWAII:

1 SECTION 1. The legislature finds that accelerating the
2 development of renewable energy to reduce greenhouse gases is a
3 high priority. The legislature has enacted numerous Acts to
4 achieve this objective, including:

5 (1) Act 97, Session Laws of Hawaii 2015, which established
6 a renewable energy portfolio standards' target of one
7 hundred per cent renewable electric energy by
8 December 31, 2045;

9 (2) Act 15, Session Laws of Hawaii 2018, which established
10 a statewide zero emissions clean economy target to
11 sequester throughout the State more atmospheric carbon
12 and greenhouse gases than emitted, as quickly as
13 practicable but no later than 2045; and

14 (3) Act 238, Session Laws of Hawaii 2022, which
15 established a statewide target that includes a
16 greenhouse gas emissions limit of at least fifty per



1 cent below 2005 greenhouse gas emission levels no
2 later than 2030.

3 The legislature further finds that the timely completion of
4 grid-connected renewable energy projects is also a high
5 priority, as it will help the State achieve the targets and
6 limits established through prior legislation. On November 13,
7 2020, the public utilities commission issued a letter to the
8 parties in docket numbers 2015-0389 (Community Based Renewable
9 Energy), 2017-0352 (Hawaiian Electric Renewable Requests for
10 Proposals), and 2018-0165 (Integrated Grid Planning), stating
11 that it "is markedly concerned that Hawaiian Electric
12 [Company]'s interconnection processes and policies are
13 increasing development costs and extending renewable project
14 timelines".

15 On December 23, 2020, under docket number 2018-0088
16 (Performance-Based Regulation), the public utilities commission
17 issued order number 37507, indicating, in part, that it was
18 concerned about interconnection delays and will implement a
19 performance incentive mechanism to encourage Hawaiian Electric
20 Company to accelerate the interconnection process. Order number
21 37507 also stated that "the scheduled retirement of the AES



1 Power Plant in 2022, as well as [Hawaiian Electric Company,
2 Inc.; Hawaii Electric Light Company, Inc.; and Maui Electric
3 Company, Limited's] proposal to delay interconnecting several
4 renewable energy and storage projects recently approved by the
5 commission, underscores the need for expeditiously securing
6 alternative sources of grid services to ensure that system needs
7 are met".

8 The legislature notes that during phase 1 and phase 2 of
9 the electric utility's procurement under docket no. 2017-0352,
10 projects have been delayed or terminated, due in part to costs
11 and delays of interconnection. On February 11, 2021, the public
12 utilities commission opened docket number 2021-0024 to review
13 Hawaiian Electric Company's interconnection process and
14 transition plans for retirement of fossil fuel plants.

15 In 2022, the public utilities commission testified that it
16 had set up a tracker account to quantify and monitor the cost of
17 project delays. As of the monthly update submitted by the
18 Hawaiian Electric Company on January 21, 2022, the tracked cost
19 totaled over \$10,000,000 across several projects. The public
20 utilities commission also testified that it issued a request for
21 information to solicit input from qualified entities to serve



1 under contract as a Hawaii electric reliability administrator.
2 On September 9, 2022, instead of procuring a Hawaii electric
3 reliability administrator, the public utilities commission
4 awarded a procurement contract that hired an independent
5 engineer to assist the commission in overseeing the technical
6 aspects of the upcoming phase 3 procurement processes, reviewing
7 interconnection requirements that had already been established
8 by the Hawaiian Electric Company and associated costs, resolving
9 technical disputes related to interconnection of resources,
10 assisting in the implementation of interconnection-related
11 performance incentive mechanisms, and serving in a general
12 advisory role to the commission on issues related to Hawaiian
13 Electric Company's interconnection process. These duties only
14 cover a subset of the duties of a Hawaii electric reliability
15 administrator, pursuant to part IX of chapter 269, Hawaii
16 Revised Statutes, and therefore will not result in commission-
17 established reliability standards for interconnection and the
18 grid, an interconnection dispute resolution process, nor long-
19 term grid planning for the State.

20 In the latter half of 2022, the public utilities commission
21 approved Hawaiian Electric Company's recommendation to complete



1 the interconnection requirements study and total estimated
2 interconnection cost for each phase 3 procurement project
3 selected prior to the signing and filing of the power purchase
4 agreement with the public utilities commission for approval.

5 However, phase 3 procurement projects are required to
6 assume interconnection costs prior to the completion of the
7 interconnection requirements study and total estimated
8 interconnection cost. If these costs are higher than what the
9 project assumed before or after bid submission to the public
10 utilities commission, the project is not allowed to adjust its
11 bid price to reflect the higher-than-anticipated cost.
12 Moreover, under the commission-approved model power purchase
13 agreement, Hawaiian Electric Company, who performs the
14 interconnection construction, is further permitted to increase
15 the project's interconnection costs. Thus, the revised process
16 approved by the public utilities commission does not result in
17 meaningful reform to the interconnection issues impacting timely
18 and cost-effective renewable energy development, which affects
19 ratepayers.

20 Also in the latter half of 2022, Hawaiian Electric Company
21 issued four separate requests to Hawaii island customers to



1 limit their use of electricity to prevent the possibility of
2 rolling blackouts due to factors including the unexpected loss
3 of several large generators, lower wind resources, and lower-
4 than-expected geothermal output. This further substantiates the
5 urgency to create and implement reliability standards through a
6 Hawaii electric reliability administrator.

7 The legislature also finds that the State does not regulate
8 interconnection costs, which results in the ratepayer bearing
9 the full financial burden of interconnection costs and utility
10 network upgrades in the electricity rates. The Federal Energy
11 Regulatory Commission, an independent federal agency that
12 regulates the interstate transmission of natural gas, oil, and
13 electricity and natural gas and hydropower projects, has
14 developed a simple test for distinguishing interconnection
15 facilities from network upgrades. In its Order No. 2003, the
16 Federal Energy Regulatory Commission stated that
17 "interconnection facilities are found between the
18 interconnection customer's generating facility and the
19 transmission provider's transmission system ... [N]etwork
20 upgrades include only facilities at or beyond the point where
21 the interconnection customer's generating facility interconnects



1 to the transmission provider's transmission system." This
2 distinction clarifies and determines which party has ultimate
3 cost responsibility. Order No. 2003 also generally found that
4 "it is just and reasonable for the interconnection customer to
5 pay for interconnection facilities but not for network
6 upgrades."

7 Establishing grid reliability standards, regulating the
8 timely and transparent interconnection of utility-scale
9 renewable energy projects, and distinguishing the cost
10 responsibilities between interconnection facilities and utility
11 network upgrades will help to bring utility-scale renewable
12 energy projects online sooner; decrease electricity rates for
13 consumers; provide project developers with added certainty
14 regarding project timelines and transparent costs; encourage
15 lower bid prices; achieve the State's renewable portfolio
16 standard goals; establish long-term institutional knowledge
17 within the public utilities commission; reduce greenhouse gas
18 emissions; and mitigate the effects of climate change.

19 Accordingly, the purpose of this Act is to:

20 (1) Require the public utilities commission to establish
21 reliability standards and interconnection requirements



1 for all electric utilities and all users, owners, or
2 operators of the Hawaii electric system; provided that
3 any costs for changes in reliability standards or
4 interconnection requirements shall not be the
5 responsibility of the interconnection customer after
6 the interconnection customer's power purchase
7 agreement has been approved by the public utilities
8 commission;

9 (2) Require the public utilities commission to:

10 (A) Distinguish between interconnection facilities
11 and utility network upgrades;

12 (B) Ensure that the cost of interconnection
13 facilities is the responsibility of the
14 interconnection customer; and

15 (C) Ensure that the cost of utility network upgrades
16 at and beyond the point of interconnection to the
17 utility's transmission system is the sole
18 responsibility of the utility transmission
19 provider; and

20 (3) Establish a timeline and requirements for

21 interconnection procedures to be established by the



1 public utilities commission for certain utility-scale
2 renewable energy projects.

3 SECTION 2. Section 269-142, Hawaii Revised Statutes, is
4 amended to read as follows:

5 "~~§~~269-142~~§~~ **Reliability standards; interconnection**
6 **requirements; adoption and development; force and effect.** (a)

7 The commission [~~may~~] shall adopt, by rule or order, reliability
8 standards and interconnection requirements. Reliability
9 standards and interconnection requirements adopted by the
10 commission shall apply to any electric utility and any user,
11 owner, or operator of the Hawaii electric system. The
12 commission shall not contract for the performance of the
13 functions under this subsection to any other entity as provided
14 under section 269-147.

15 (b) The commission [~~may~~] shall develop reliability
16 standards and interconnection requirements as it determines
17 necessary or upon recommendation from any entity, including an
18 entity contracted by the commission to serve as the Hawaii
19 electricity reliability administrator provided for under this
20 part, for the continuing reliable design and operation of the
21 Hawaii electric system~~[-]~~; provided that any costs for changes



1 in reliability standards or interconnection requirements shall
2 not be the responsibility of the interconnection customer after
3 the interconnection customer's power purchase agreement has been
4 approved by the commission. Any reliability standard or
5 interconnection requirement developed by the commission shall be
6 adopted by the commission in accordance with subsection (a) in
7 order to be effective. The commission shall not contract for
8 the performance of the functions under this subsection to any
9 other entity as provided under section 269-147.

10 (c) The commission shall:

11 (1) Distinguish between interconnection facilities and
12 utility network upgrades;

13 (2) Ensure that the cost of interconnection facilities is
14 the responsibility of the interconnection customer;
15 and

16 (3) Ensure that the cost of utility network upgrades at
17 and beyond the point of interconnection to the
18 utility's transmission system is the sole
19 responsibility of the utility transmission provider.

20 [~~e~~] (d) The commission shall have jurisdiction over
21 matters concerning interconnection requirements and



1 interconnections located in the State between electric
2 utilities, any user, owner, or operator of the Hawaii electric
3 system, or any other person, business, or entity connecting to
4 the Hawaii electric system or otherwise applying to connect
5 generation or equipment providing ancillary services to, or
6 operate generation and equipment providing ancillary services in
7 parallel with the Hawaii electric system under processes
8 established in accordance with section 269-145. Nothing in this
9 subsection is intended to give the commission general
10 supervision authority over any user, owner, or operator of the
11 Hawaii electric system or any other person, business, or entity
12 that is not a public utility as defined in section 269-1.

13 (e) For purposes of this section:

14 "Generating facility" means the specific device for which
15 the interconnection customer has requested interconnection.

16 "Interconnection customer" means the owner of the
17 generating facility that is interconnecting at the utility point
18 of interconnection at the transmission provider's transmission
19 system.



1 "Interconnection facilities" means facilities that are
2 found between the interconnection customer's generating facility
3 and the utility transmission provider's transmission system.

4 "Transmission provider" means the entity or entities with
5 which the generating facility is interconnecting.

6 "Utility network upgrades" means facilities at or beyond
7 the point where the interconnection customer's generating
8 facility interconnects to the utility transmission provider's
9 transmission system."

10 SECTION 3. Section 269-145, Hawaii Revised Statutes, is
11 amended to read as follows:

12 "~~§~~269-145~~§~~ **Grid access; procedures for**
13 **interconnection; dispute resolution.** (a) Each user, owner, or
14 operator of the Hawaii electric system, or any other person,
15 business, or entity seeking to make an interconnection on the
16 Hawaii electric system shall do so in accordance with procedures
17 to be established by the commission by rule or order.

18 (b) The commission shall establish interconnection
19 procedures as follows:



- 1 (1) The commission shall include in any interconnection
2 procedures established pursuant to this section
3 requirements that the electric public utilities:
- 4 (A) Complete the interconnection design;
5 (B) Reach agreement with the renewable energy project
6 developer;
- 7 (C) File a request with the commission for
8 interconnection or line extension approval, if
9 required;
- 10 (D) Meet the requirements under subparagraphs (A)
11 through (C) as soon as practicable;
- 12 (E) Meet timelines and deadlines as determined by the
13 commission; and
- 14 (F) Submit interim reports to the commission on the
15 status of the electric public utility's efforts
16 to comply with the requirements of this
17 subsection ninety days and one hundred eighty
18 days after the renewable energy project power
19 purchase agreement is filed with the commission
20 for review and approval;



- 1 (2) If the electric public utility is unable to comply
2 with the requirements of this subsection, the electric
3 public utility shall report, in writing, the reasons
4 for noncompliance to the commission within ten
5 calendar days after the failure to meet timelines and
6 deadlines established by the commission;
- 7 (3) If the electric public utility fails to meet the
8 requirements established by the commission pursuant to
9 this subsection, the electric public utility shall
10 forfeit and return all moneys or other financial
11 incentives that the electric public utility has
12 received as part of any performance incentive
13 mechanism program or similar incentive-based award
14 recognized by the commission in connection with the
15 renewable energy project; and
- 16 (4) The commission shall submit a report to the governor
17 and legislature regarding any failure to meet the
18 timing under this subsection by any electric public
19 utility within thirty days of the commission receiving
20 notice of this failure;



1 provided that this subsection shall only apply to utility-scale
2 renewable energy projects that are five megawatts in total
3 output capacity or larger and to any community-based renewable
4 energy projects that the commission has determined to be
5 responsible for interconnection costs.

6 [~~(b)~~] (c) The commission shall have the authority to make
7 final determinations regarding any dispute between any user,
8 owner, or operator of the Hawaii electric system, or any other
9 person, business, or entity connecting to the Hawaii electric
10 system, concerning either an existing interconnection on the
11 Hawaii electric system or an interconnection to the Hawaii
12 electric system created under the processes established by the
13 commission under this section."

14 SECTION 4. Statutory material to be repealed is bracketed
15 and stricken. New statutory material is underscored.

16 SECTION 5. This Act shall take effect on July 1, 3000.

17



Report Title:

Public Utility Commission; Renewable Energy; Reliability Standards; Interconnection Requirements; Interconnection Facilities; Utility Network Upgrades

Description:

Requires the Public Utilities Commission to establish reliability standards and interconnection requirements for certain renewable energy projects; provided that any costs for changes in reliability standards or interconnection requirements shall not be the responsibility of the interconnection customer after the interconnection customer's power purchase agreement has been approved by the Public Utilities Commission. Requires the Public Utilities Commission to distinguish between interconnection facilities and utility network upgrades; ensure that the cost of interconnection facilities is the responsibility of the interconnection customer; and ensure that the cost of utility network upgrades is the sole responsibility of the transmission provider. Establishes a timeline and requirements for interconnection procedures to be established by the Public Utilities Commission for certain utility-scale renewable energy projects. Effective 7/1/3000. (HD1)

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