

citizen mint



GUIDE TO INTERCONNECTION CAPITAL

The Infrastructure Behind the Energy Transition

At Citizen Mint, we focus on interconnection queue opportunities because they exhibit a highly differentiated risk profile relative to many private market strategies. Interconnection capital is deployed at a defined point in the power development process, where regulatory requirements, refundable utility deposits, and limited duration help shape outcomes. As demand for grid access continues to increase, we believe interconnection opportunities provide a framework for capital deployment with structural protections and clearly defined pathways for capital return, particularly in an environment where access to the grid has become increasingly constrained.

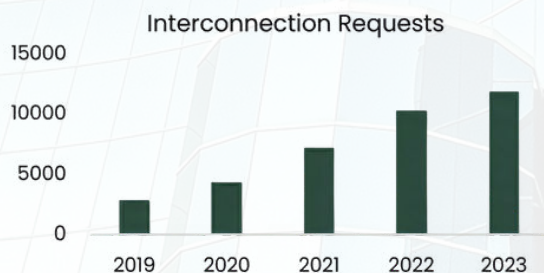
Why Interconnection Exists and Why It Matters

Every new power project in the United States must connect to the electric grid before it can generate revenue. That connection is not conceptual or optional. It is physical, regulated, and capital intensive. Interconnection is the process through which a new generator of power secures permission and infrastructure to deliver electricity into the grid, often through a dedicated generation tie line and associated upgrades.

Utilities and grid operators require extensive studies before allowing new generation to connect. These studies evaluate system stability, power flow, voltage impacts, and necessary upgrades such as substations, transformers, or transmission lines. The result of this process is a required interconnection deposit that must be posted by the developer to hold its place in the queue and fund the future grid work. These deposits are often substantial relative to total early-stage development costs and represent a major bottleneck in the energy transition.

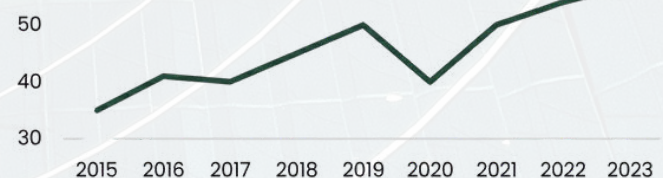
Interconnection exists because the grid must remain reliable while absorbing an unprecedented volume of new power generation. From 2019 to 2023, interconnection requests have increased more than 300%, while the time from request to operation lengthened by nearly 30 months. Deposits act as a gating mechanism to ensure that only viable, well capitalized projects move forward.

Interconnection Trends



From 2019 to 2023 interconnection requests have seen a **325% increase**.

Months from Interconnection Request to Operations



From 2015 to 2023, there has been a median increase of nearly **30 months**.

Source: PowerPoint Presentation, Lawrence Berkeley National Laboratory (lbl.gov) US solar project pipeline awaiting interconnection permit reaches 1.08 TWh, PV Magazine International (pv-magazine.com)

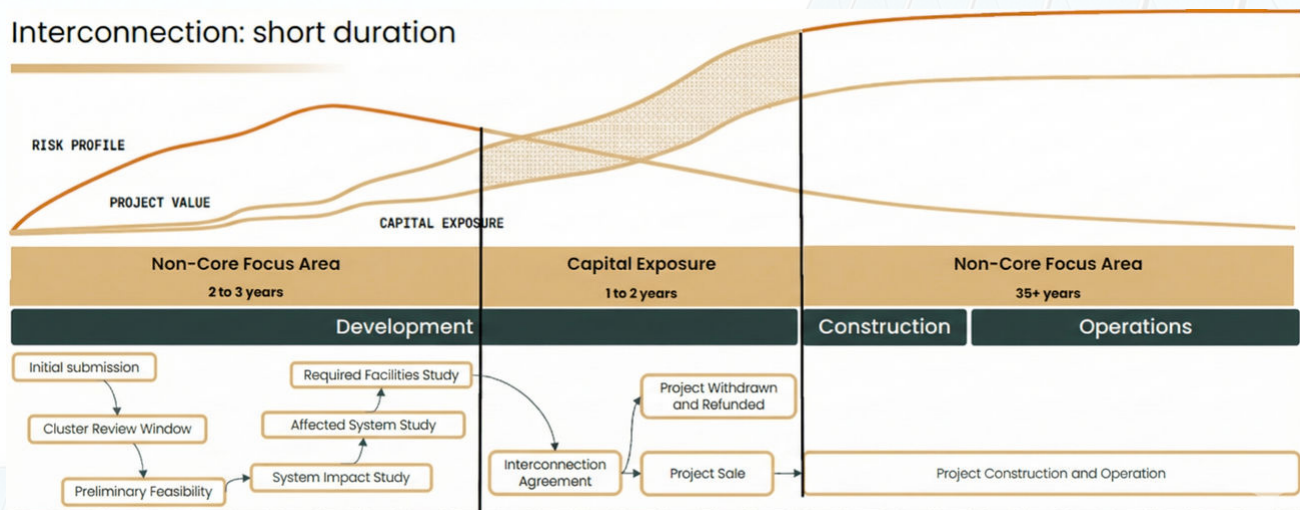
Why This Market Exists Today

Interconnection capital has emerged as a distinct opportunity due to three converging forces.

First, regulatory reform. In July 2023, the Federal Energy Regulatory Commission (FERC) issued Order No. 2023, which reshaped the interconnection process. The order increased deposit requirements, shifted studies to clustered application windows, imposed firm deadlines on utilities, and improved transparency around grid capacity. These changes were designed to reduce speculation and clear backlogs, but they materially increased near term capital needs for developers.

Second, access to capital. Large utilities and well-capitalized power producers can fund interconnection deposits internally or through established financing relationships. Small and mid-market developers cannot. Deposits now exceed most other early development costs, forcing many viable projects to stall, sell early at a discount, or shrink development pipelines.

Third, refundability. Unlike most development capital, interconnection deposits are held by regulated utilities in restricted accounts and are fully or majority refundable if a project does not proceed. This creates a structure where capital is essential to the system, legally protected, and usually short duration.



Source: Overlay Capital

The chart above shows where interconnection capital sits within the broader power project lifecycle. Development and construction can span many years and involve permitting, financing, and execution risk, while operations extend even longer and depend on long-term power markets.

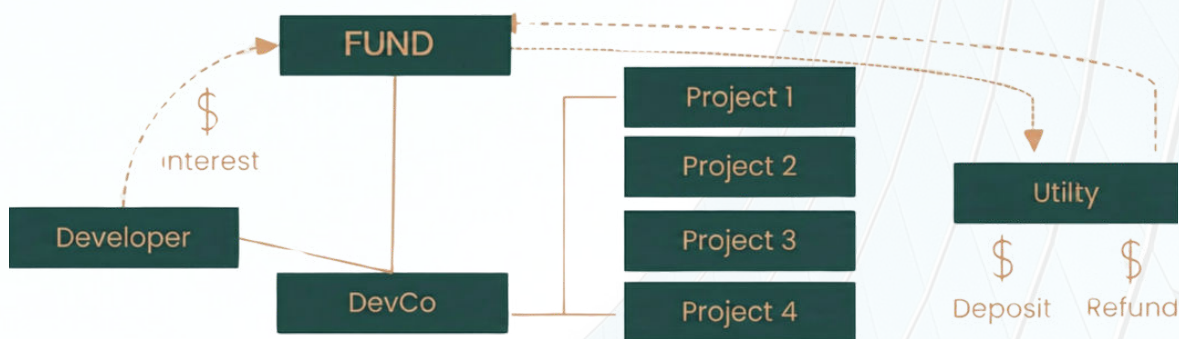
Interconnection occupies a much narrower window. Capital is deployed after key early risks are addressed but before construction begins, typically for one to two years. As a result, investor capital is committed for a defined, short period with clear exit paths through project sales or regulated deposit refunds, rather than long-term asset performance.

Interconnection capital protection is structural, contractual, and regulatory. Deposits are placed directly with regulated utilities and grid operators, not with developers. Utilities are investment grade entities and are legally obligated to follow approved interconnection rules. Deposits are held in dedicated accounts restricted to interconnection purposes.

If a project is withdrawn, cancelled, or does not reach commercial operation, unspent portions of the deposit are returned. This refundability is codified in state level interconnection agreements and enforced by regulation.

In institutional interconnection strategies, the capital provider is typically the named refund recipient. This ensures that returned principal and accrued interest flow directly back to the investor rather than through the developer balance sheet.

Deposits are sized conservatively relative to refundable amounts, often with additional collateral coverage coming from developer to protect investors depository capital. Capital is deployed late in the development process, after major binary risks such as site control and initial studies are cleared. Typical timelines for this capital hold are materially shorter than construction or operating the assets.



Why Refundability Is Real

Refundability is not a marketing feature. It is a regulatory requirement.

Utilities may only retain funds that are actually spent on studies or grid upgrades. If a project exits the queue before those costs are incurred, the remaining balance must be returned. State level interconnection tariffs explicitly define refund timelines and penalties.

Even in stress scenarios, refundability has precedent. When Pacific Gas and Electric entered bankruptcy following California wildfires, interconnection obligations were not voided. Utilities are required to continue service and honor regulatory commitments. Refundable deposits were treated as unearned funds rather than utility property, reinforcing their senior position.

This legal distinction is critical. Investors are not lending against a speculative project. They are advancing capital into a regulated system with explicit return pathways.

Refundability across the country

Colorado: "If Interconnection Customer withdraws or otherwise does not reach Commercial Operation, Transmission Provider must refund the deposit." [Link](#)

New York: "If the applicant withdraws or is removed from the interconnection queue at any point after making a payment required under this section, any unspent portions of these payments will be refunded." [Link](#)

Minnesota: "If the Interconnection Customer's previous aggregate payments exceed its cost responsibility, the Area EPS Operator shall refund to the Interconnection Customer within twenty (20) Business Days." [Link](#)

Illinois: "If the interconnection customer's previous deposit and aggregate payments exceed its cost responsibility, the EDC shall refund to the interconnection customer within thirty calendar days." [Link](#)

Utah: "If Interconnection Customer withdraws or otherwise does not reach Commercial Operation, Transmission Provider must refund the deposit." [Link](#)

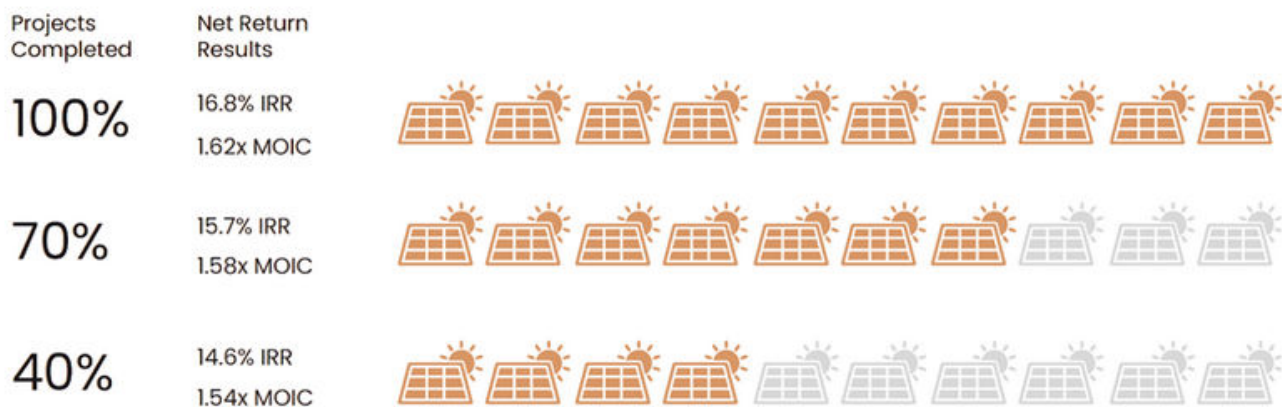
Washington: "If an Interconnection Customer withdraws their Interconnection Request or is deemed withdrawn by Transmission Provider, the Transmission Provider shall make a refund to the Interconnection Customer." [Link](#)

Kansas, Oklahoma, and New Mexico: "Interconnection Customer may withdraw its Interconnection Request at any time by written notice of such withdrawal to Transmission Provider. If Interconnection Customer withdraws its Interconnection Request, Transmission Provider shall refund the Interconnection Customer's deposit, including interest earned in the interest-bearing account in which Transmission Provider shall have deposited such amount." [Link](#)

Risk and Return Profile

Interconnection opportunities sits in a narrow outcome band relative to most private market strategies. Returns are generated through a combination of contractual interest and participation in project sales. Downside scenarios result in principal return via utility refunds, often with accrued interest from the developers partial collateralization of the project. Upside scenarios are realized when projects are sold to institutional buyers after interconnection milestones are achieved. This usually amount to 1.5-2% equity kickers on total project value or total loan value.

Portfolio level modeling demonstrates resilience even under conservative assumptions. In a diversified portfolio of interconnection positions, illustrative portfolio modeling reflects outcomes that are sensitive to project completion assumptions, as shown in the example below.



*Analysis in conducted on a 40-project portfolio and \$50M of capital deployed with results showing target net returns across a series of project completion percentages. Portfolio assumes a 75% interconnection allocation and a 25% opportunistic allocation with standard pricing being offered to the market currently including a 4-year time horizon.

Source: Overlay Capital

Why We Believe This Represents a Compelling Risk Profile

At Citizen Mint, we focus on segments of the private markets where capital plays a clearly defined role and outcomes are shaped by structure rather than speculation. Interconnection capital fits this framework by operating within a regulated process that is essential to grid reliability and energy system expansion.

Interconnection opportunities are distinct in that capital is deployed late in the development lifecycle, after many early-stage risks have been addressed, and is governed by utility and regulatory requirements that influence how and when capital is returned. Refundable deposits, limited duration, and clearly defined exit paths help differentiate interconnection from traditional development equity, long-duration infrastructure assets, and construction-focused strategies.

Importantly, interconnection capital is not dependent on long-term power pricing, operational performance, or asset-level execution. Instead, it is tied to the administrative and regulatory process required for projects to access the grid. As grid access has become increasingly constrained, this portion of the development process has taken on greater importance, shaping how projects advance and how capital is deployed.

Within this context, we view interconnection opportunities as a structured way to participate in the power development ecosystem, with defined parameters around duration, risk exposure, and capital recovery that are not commonly found across other areas of the private markets.



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