

of EEI. Mr. Landrieu's presentation highlighted several issues of interest to our generation and transmission owning members.

EEI supports the Commission's efforts to improve the nation's competitive energy markets, with the goal of providing greater benefits to consumers. Although the current generation interconnection processes are working better in many places throughout the country, as evidenced by the number of new facilities that have come on line in the past few years, there is still room for improvement. Implementing the Standard Market Design is clearly a high priority for the Commission because it will provide greater certainty for all segments of the industry. With standardization should come greater transparency and independence, all of which should enhance the generation interconnection process. Additionally, as several witnesses at the technical conference noted, adopting the consensus portion of the large generator Interconnection Procedures/Interconnection Agreement documents filed with the Commission should improve certain aspects of the generation interconnection process where consensus was reached. Much effort was put into reaching consensus on these limited issues. Nevertheless, more dialogue with the industry will be required after these significant initiatives (the large generator interconnection and SMD NOPRs) are finalized to resolve the remaining issues.

1. Large Generator Interconnection NOPR

There was some consensus reached in the large generation Interconnection Procedures/Interconnection Agreement proceeding. The Commission should consider the consensus reached and the additional comments from the technical conference when issuing a final rule in that proceeding. The Commission should be mindful that the

record in that proceeding did not address queuing in the context of SMD, and EEI notes that little if any commentary is devoted to the issue of queuing in the SMD NOPR. Thus, EEI believes that Commission has a difficult task to design a queuing procedure for interconnections in both the context of non-SMD and SMD. Nonetheless, if the FERC desires to adopt one queuing process for both non-SMD and SMD, then the Commission may wish to consider the record in the large generator interconnection proceeding, along with consideration of many queues around the country that are currently working well and EEI's comments on SMD, to assist the Commission to design a queuing procedure for SMD.

2. Small Generator Interconnections

EEI supports development of expedited procedures for interconnection applicants that are likely to have minimal impacts to the safety and reliability of the transmission system, while respecting the importance of a fair, non-discriminatory and transparent engineering analysis to assess those impacts. While EEI understands the Commission's desire to find a screening tool that could be used to determine which small generation projects can be interconnected quickly because they directly connect to the distribution system or have minimal or no impacts on the operation of the transmission system, unfortunately it is not that simple or possible. All projects need to undergo an engineering analysis to determine whether they impact the transmission system and how they relate to existing levels of penetration in the market, as well as understanding the administrative impacts of the engineering analysis. These impact assessments do not easily lend themselves to simplistic screening tools. EEI supports some standardization of the interconnection review criteria. In this regard, EEI recommends that the

Commission adopt the screening criteria reflected in Section 4a of Attachment A, contained in the November 12, 2002 industry consensus filing to the Commission.

While some utilities are expediting interconnection for projects with limited or no impacts on the transmission system, during the technical conference, no one proposed a set of criteria for expediting projects nationwide, other than strictly by size, which is problematic. The system impact of a proposed interconnection from a small generation project can vary widely, depending on the project's operating characteristics, its location within the network, and load flow characteristics of that area of the network. Thus the same small generation project could have different system impacts based on variations in other factors. All projects need to be reviewed individually for system impacts to ensure that reliability is not damaged unknowingly by quickly connecting a generator without studying the system impacts.

3. Milestones and Expectations

Almost every participant at the technical conference that spoke to the issue agreed that the interconnection process would benefit from better-defined milestones and thresholds for requiring restudy. EEI acknowledges that milestones and restudy provisions can and should be clarified and made more uniform wherever possible. Both generators and transmission owners would benefit from better-defined milestones because they both need greater certainty from the interconnection process. Also, better-defined milestones will assist the transition to regional consistency for interconnection. To develop improved milestones, existing milestones from various regions should be evaluated to determine which ones are judged most effective by the whole industry and can accommodate regional differences. EEI notes that there was much discussion and a

record created on milestones in the large generator interconnection proceeding.

Nonetheless, EEI believes that milestones should be similar, if not identical, for both large and small generators, so concerns of discriminatory practices are eliminated.

4. Separation of Interconnection and Delivery Services

Interconnection service and delivery service are separate, but necessary services for all generators. EEI appreciates that some interests seek a “one stop shop” in order to expedite project development. However, interconnection and delivery are separate services. There is no need to combine them and any combination of the two will likely overly complicate the queuing process. Additionally, during the technical conference, there was discussion of the need to interconnect wind resources quickly. It should be recognized that all generation needs not only interconnection, but also deliverability to be a viable project. This is particularly true for wind or any other resources requiring transmission service that are developed far away from load centers. The need for this separation of interconnection and delivery is even more critical in the context of designing a queue that is appropriate for non-SMD and SMD, since SMD changes the nature and characteristics of transmission service.

5. A Single Queue for all Generation Interconnection Requests

EEI supports the goal of establishing a single integrated queue for generation interconnection, with the recognition that it will not be an easy process. There is general agreement among transmission owners and generators that there needs to be one queue to facilitate development of new large and small generation projects. Notwithstanding, as is apparent from the record in the large and small generator rulemakings and from the technical conference, there is a broad range of issues that the Commission must resolve in

order to evolve to a single queue. As a starting point, the Commission should review existing single queues such as PJM's queue. The potential issues include clearly defining the scope, rights, and obligations of the queue and queuing, defining the geographic scope of the queue before and after the transition to RTOs, developing coordination methods for addressing seams issues, defining additional queue flexibility for small generation or non-gas generation while maintaining the 2 MW threshold discussed in the distributed generator interconnection proceeding, dispute resolution, enforcing reciprocity with non-jurisdictional transmission owners, and establishing how queue position impacts cost allocation. This array of implementation issues would significantly benefit from input from the industry to make sure that the answers to these questions are workable across the country.

In conclusion, EEI appreciates the Commission's consideration of these comments and looks forward to a continuing dialogue on generation interconnection issues.

Respectfully Submitted,

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