

UNITED STATES OF AMERICA
BEFORE THE
FEDERAL ENERGY REGULATORY COMMISSION

Reform of Generator Interconnection
Procedures and Agreements

Docket No. RM17-8-000

COMMENTS OF THE
ELECTRICITY CONSUMERS RESOURCE COUNCIL
(ELCON)

The Electricity Consumers Resource Council (ELCON) appreciates the opportunity to submit comments on the Commission's Notice of Proposed Rulemaking (NOPR) in the above-captioned docket. In the NOPR, the Commission proposes a number of reforms with the intent that they will: (1) improve certainty by giving interconnection customers more predictability in the interconnection process (proposing four specific reforms on this topic); (2) improve transparency by providing more information to interconnection customers (proposing five specific reforms); and (3) enhance interconnection processes by making use of underutilized existing interconnections, providing interconnection service earlier or accommodating changes in the development process (proposing five different reforms).

ELCON supports the principles underlying the NOPR to improve the efficiency of processing interconnection requests to make action on them more timely at lower costs, to remove barriers to the development of new technologies, and to assure the

continued reliability of the grid. Many of the proposed reforms have the potential serve these principles and reduce the cost and time required to navigate the interconnection procedures, including for industrial generation that comprises ELCON's membership. The changes resulting from low natural gas prices, technology developments, and state policies have created challenges for the current large generator interconnection procedures. However, FERC must not adopt changes to the interconnection procedures that would impact system reliability or impose or reallocate costs inappropriately. One example in the NOPR is the request for comment on capping the costs of network upgrades that are recovered from the interconnection customer. Pursuing this approach would be premature given the other proposed reforms that may largely address the issue of unanticipated cost overruns, and ELCON is concerned that the proposed solution would be inconsistent with cost causation principles.

ELCON is the national association representing large industrial consumers of electricity. ELCON member companies produce a wide range of products from virtually every segment of the manufacturing community. ELCON members operate hundreds of major facilities and are consumers of electricity in the footprints of all organized markets and other regions throughout the United States. Reliable electricity supply at just and reasonable rates is essential to our members' operations. Many of ELCON's members also generate electricity and maintain interconnections for purposes of sales of excess power.

I. PROPOSED REFORMS TO IMPROVE CERTAINTY IN THE INTERCONNECTION PROCESS

The NOPR proposes four reforms to improve certainty in the interconnection process by providing interconnection customers with more timely and accurate information on a more predictable basis.¹ A key point of emphasis for FERC is to reduce disruptive withdrawals from the interconnection queue.

Among these proposals, allowing the interconnection customer to exercise the option to build unilaterally -- that is, that the interconnection customer's option to assume responsibility for construction of the transmission provider's interconnection facilities and stand-alone network upgrades is not contingent on the transmission provider notifying the interconnection customer that it cannot complete such facilities on the schedule proposed by the interconnection customer -- may be relatively more useful for industrial generation. This change would put greater incentive on getting interconnection facilities operational more quickly and at lower cost. As noted in the NOPR, "removing the limitation may provide interconnection customers more control and certainty during the design and construction phase of the interconnection process."²

ELCON also supports revoking the unilateral option of transmission owners or providers to initially self-fund network upgrade costs and instead requiring prior

¹ Specifically, the NOPR would: (1) revise the *pro forma* LGIP to require transmission providers that conduct cluster studies to move toward a scheduled, periodic restudy process; (2) remove from the *pro forma* LGIA the limitation that interconnection customers may only exercise the option to build transmission provider's interconnection facilities and stand-alone network upgrades if the transmission owner cannot meet the dates proposed by the interconnection customer; (3) modify the *pro forma* LGIA to require mutual agreement between the transmission owner and interconnection customer for the transmission owner to opt to initially self-fund the costs of the construction of network upgrades; and (4) require that the RTO/ISO establish dispute resolution procedures for interconnection disputes.

² NOPR at ¶ 58.

mutual agreement with the interconnection customer. The existing practice has resulted in unjust and unreasonable network upgrade charges imposed in a fashion that increases the cost of interconnection service to the customer.³ For example, the customer may be able to fund its own network upgrades at lower cost than would be imposed by the transmission owner or provider.

The NOPR also seeks comment on the extent to which a cap on the network upgrade costs for which interconnection customers are responsible can mitigate the potential for serial restudies without inappropriately shifting cost responsibility. As discussed in the NOPR, currently the *pro forma* LGIP requires that transmission providers provide a good faith estimate of the cost of interconnection facilities and network upgrades needed to accommodate an interconnection customer's requested level of interconnection service, but the interconnection customer retains responsibility for the risk of cost overruns. Despite the current provision in the *pro forma* LGIP, however, it is the experience of ELCON members that handling of cost estimates by transmission providers has been a recurring problem in the interconnection study process. For example, apparently out of a desire to avoid overruns, transmission providers have stated high end cost estimates in writing, while providing interconnection customers with much lower, reasonably anticipated cost estimates on an off-the-record basis. This practice creates a wide range of uncertainty that makes the

³ NOPR at ¶¶ 66-68, 72-77.

decision about whether to proceed, and if so the budget planning process, very difficult for the interconnection customer.

ELCON agrees with the NOPR that this is a difficult issue in which there are competing considerations and does not believe that there is sufficient record at this time to support a changed approach. Interconnection customers currently face the uncertainty of cost overruns. On the other hand, a cost cap could simply incentivize higher initial cost estimates to minimize the risk of exceedence. Moreover, to the extent that a cap is exceeded, the end result would be socialization of the overrun costs and an inappropriate cost shift to load in violation of cost causation principles. ELCON urges FERC to assess the beneficial impacts of the other reforms proposed in the NOPR, such as improved information flow and transparency and opportunities for the interconnection customer to play a larger role in interconnection design, construction and funding, before determining whether any action to address this topic is needed.

II. PROPOSED REFORMS TO INCREASE TRANSPARENCY IN THE INTERCONNECTION PROCESS

The NOPR proposes five reforms to provide more thorough and transparent information presented to the interconnection customer, with the objective of achieving greater efficiencies in the development process.⁴ Many of these proposals have

⁴ Specifically, the NOPR would: (1) require transmission providers to outline and make public a method for determining contingent facilities in their LGIPs and LGIAs based upon guiding principles in the Proposed Rule; (2) require transmission providers to list in their LGIPs and on their Open Access Same-Time Information System (OASIS) sites the specific study processes and assumptions for forming the networking models used for interconnection studies; (3) require congestion and curtailment information to be posted in one location on each transmission provider's OASIS site; (4) revise the definition of "Generating Facility" in the *pro forma* LGIP and LGIA to explicitly include electric storage resources; and (5) create a system of reporting requirements for aggregate interconnection study performance.

relatively less relevance to industrial generation, as the “site” is predetermined by the location of the industrial host and there is no choice to be made about whether or where to locate the generation on the basis of the interconnection procedures. From a more general perspective, however, ELCON strongly supports increased transparency to the extent that it reduces cost of generation and transmission. ELCON agrees with the NOPR that increased transparency can lead to efficiencies in the development process, a reduction in uncertainty in the development process, and limited potential for disagreements to arise.

III. PROPOSED REFORMS TO ENHANCE THE INTERCONNECTION PROCESS

The NOPR proposes five reforms to facilitate the incorporation of new generation into the system as well as encourage more efficient utilization of existing system resources.⁵ ELCON strongly supports several of these proposed reforms, which would enable the interconnection process to be better calibrated to the characteristics and needs of industrial generation.

Most significantly, the NOPR would allow interconnection customers to request a level of interconnection service for a generating facility that is lower than the

⁵ Specifically, the NOPR would: (1) allow interconnection customers to limit their requested level of interconnection service below their generating facility capacity; (2) require transmission providers to allow for provisional agreements so that interconnection customers can operate on a limited basis prior to completion of the full interconnection process; (3) require transmission providers to create a process for interconnection customers to utilize surplus interconnection service at existing interconnection points; (4) require transmission providers to set forth a separate procedure to allow transmission providers to assess and, if necessary, study an interconnection customer’s technology changes (e.g., incorporation of a newer turbine model) without a change to the interconnection customer’s queue position; and (5) require transmission providers to evaluate their methods for modeling electric storage resources for interconnection studies and report to the Commission why and how their existing practices are or are not sufficient.

generating facility's capacity. This would allow generating facilities that do not intend to use the full generating facility capacity to avoid constructing network upgrades and interconnection facilities to meet a level of interconnection service that is not necessary. Industrial generation used primarily to serve the need of the host manufacturing facility are a prime example. The interconnection process for an industrial cogenerator or other behind-the-meter industrial generation should recognize the maximum net put to the grid and not the generator's nameplate rating. This is especially relevant to QFs that are sized to the load; the economics today will tend to favor this arrangement and less the merchant model where the generator is sized to the steam host and thus will produce excess power (but still not at the level of its nameplate rating). However, the need for standby power (power imported to the load) is a legitimate concern to the extent it affects network service. As noted in the NOPR, this reform would reduce the overbuilding of interconnection facilities and network upgrades and lower costs to customers.

Depending on an industrial generator's particular circumstances, certain other of the proposed reforms also may increase the timeliness and efficiency of the interconnection process, increase flexibility, and reduce costs for ELCON members and other customers. These include allowing for provisional interconnection services, enabling use of surplus interconnection service at existing interconnection points, and establishing expedited procedures for approval of the customer's technology changes. These are common sense initiatives that would take advantage of existing resources that may be underutilized. ELCON supports them.

IV. CONCLUSION

As discussed in these comments, ELCON supports the principles underlying the NOPR to improve the efficiency of processing interconnection requests to make them more timely at lower costs, to remove barriers to the development of new technologies, and to assure the continued reliability of the grid. More specifically, ELCON supports many of the proposed reforms have the potential serve these principles and reduce the cost and time required to navigate the interconnection procedures, including for industrial generation that comprises ELCON's membership. However, at this time the Commission should not pursue capping the costs of network upgrades that are recovered from the interconnection customer, which was an issue highlighted in the NOPR for public comment. Pursuing this approach would be premature given the other proposed reforms that may largely address the issue of unanticipated cost overruns and the proposed solution would be inconsistent with cost causation principles.

NOTICES AND COMMUNICATIONS

Notices and communications with regard to these proceedings should be addressed to:

John P. Hughes
President and CEO
ELECTRICITY CONSUMERS RESOURCE
COUNCIL
1101 K Street, NW, Suite 700
Washington, DC 20005
Email: jhughes@elcon.org
Phone: (202) 682-1390

W. Richard Bidstrup
CLEARY GOTTLIEB STEEN &
HAMILTON LLP
2000 Pennsylvania Avenue, NW, Suite 900
Washington, DC 20006
Email: rbidstrup@cgsh.com
Phone: (202) 974-1500

Respectfully submitted,

/s/ W. RICHARD BIDSTRUP

W. Richard Bidstrup
CLEARY GOTTLIEB STEEN & HAMILTON LLP
2000 Pennsylvania Avenue, N.W., Suite 900
Washington, D.C. 20006
Counsel for ELCON

Dated: April 13, 2017

CERTIFICATE OF SERVICE

I hereby certify that I have this day served the foregoing document upon each person designated on the official service list compiled by the Secretary of this proceeding.

Dated at Washington, D.C.: April 13, 2017

/s/ W. RICHARD BIDSTRUP
W. Richard Bidstrup