

January 21, 2003

**Tenaska Comments
For Technical Conference on
Queuing of Generator Interconnection Requests**

Tenaska appreciates the opportunity to provide these comments as a participant in the technical conference and hopes that these comments address a number of the issues outlined by the Commission for the conference. As a developer, owner, and operator of generation, Tenaska appreciates the importance and complexity of interconnecting power plants and acquiring transmission service for such plants. Tenaska has had a variety of experiences with interconnecting power plants in different areas of the country with some good experiences and some not so good experiences. Tenaska has been a party to an entire interconnection process that took no more than 4-5 months to complete, and Tenaska has been a party to system impact studies that took over 15 months to complete (the system impact studies ultimately showed a reliable system with few upgrades after the transmission provider initially encouraged Tenaska to abandon the interconnection request because it would require extensive upgrades.) Tenaska has also been able to work through some very complex reliability issues with certain transmission providers while other transmission providers have been completely unwilling to consider alternatives to their proposed interconnection arrangements. One of the issues that always seem to be a concern, however, relates to the interconnection queue.

Two significant issues are addressed through the use of an interconnection queue: 1) the order that an interconnection request is administratively processed and tendered an interconnection agreement, and 2) the cost assignment of network upgrades. Of these two issues, the cost assignment of network upgrades is by far the biggest issue affected by an interconnection queuing process. Because upgrades are assigned by transmission providers on a sequential basis to each successive generator in the queue, the order of the queue, and the process used by the transmission providers to process the interconnection requests, provide opportunities to discriminate against various generators. Many games can be played with study assumptions, interpretation and application of planning criteria, and allowing entities to hold queue positions with phantom projects. Examples of this include the dispatch of existing affiliated generators study base cases, equipment ratings, and the use of special operating procedures for existing generators. The outcome can result in an uneconomic result for a legitimate, economic generation project. Unfortunately, Tenaska does not believe that a perfect process can be developed as long as new generators have to pay for any portion of network upgrades. However, Tenaska does believe that some changes can be made to improve the process:

- 1) Tenaska believes that the interconnection process needs to be standardized to the greatest degree possible with few, if any, exceptions provided for regional differences. Tenaska is more than willing to discuss regional differences for the queuing process (e.g. the paperwork to be filed, the completeness of study data, whether a deposit is in cash or check, etc.), but Tenaska does not believe that significant differences reasonably exist. To that end, the interconnection queuing process itself should not favor any technology or size of generation. It may be appropriate to differentiate between types/size of generation in the overall interconnection process, such as what types of studies are needed before a plant can be interconnected, but not in the queuing process itself.
- 2) When it comes to the determination of network upgrades, Tenaska believes that the reliability criteria, the interpretation of such reliability criteria, and the data used to perform the various studies are the major issues. A single set of reliability criteria is sorely needed in North America. At worst, not more than three sets of reliability criteria (Eastern Interconnection, Western Interconnection, and ERCOT) should be used. Tenaska recognizes the concerns with

January 21, 2003

applying such uniform criteria as such concerns have been debated heavily in many forums. As such, Tenaska suggests that the Commission could adopt a 1-3 year transition plan for adherence to such standard criteria. In addition, transmission providers need to plan their systems, publish their plans, and provide steady-state, stability, short circuit, and other data reasonably requested by reputable entities wishing to study the possibility of interconnecting generating plants. This information is not available today. As a result, long interconnection queues are created because generators submit multiple requests for the same project since they cannot acquire the information to study the impact of their project for various interconnection options. Furthermore, many transmission providers simply tell generators that any upgrade to the network is the complete responsibility of the generator as such upgrades were not included in the expansion plans of the transmission provider. Without the data and the transmission provider's future expansion plans a generator cannot tell whether it is providing minimal upgrades solely for the interconnection of its new facility, or if the upgrades are already included in the expansion plans and therefore should not be allocated fully to the generator. On one hand, Tenaska believes that this issue may be resolved to some degree in that the transmission providers must offer CRRs/FTRs for upgrades paid for by the generator and the transmission provider must honor the CRRs. However, the award of CRRs/FTRs may not be enough to incent investment in network upgrades because CRRs/FTRs do not reflect the full economic value of the network upgrades for which the generator is asked to pay. If Commission policy continues to support the assignment of any network upgrade costs to new generators, then the Commission must create additional means for new generators other means to recover the full value of their its investments in network upgrades. This could be accomplished by various means including 1) the TCRR concept proposed by Tenaska in its SMD NOPR comments on January 12, 2003, 2) allowing the re-assignment, or sharing, of a portion of the network upgrade costs with those generators who request interconnection service within the same area during a prescribed timeframe and each of the generators rely on the same upgrades, or 3) some other means.

- 3) Some set of milestones must be created going forward that allows interconnection requests to be processed in a reasonable time. Interconnection requests that fail to meet the milestones must move out of the way for purposes of evaluating other projects in the interconnection queue. Tenaska is not suggesting that the project failing to meet the milestones, whether inactive or not, must fall to the bottom of the interconnection queue, it merely must drop down to the next lowest position in the queue if it is not ready to proceed and another interconnection request is ready to move on. This may, or may not, result in additional costs to the generator related to network upgrade costs, but should the Commission adopt some means for generators to recoup the full value of their network upgrade investments then the desire to hold a specific queue position can be alleviated. With this said, a queue position can be treated as a property right that can be transferred, but only to the extent that the queue position is based, and continues to be based after the transfer of the queue position is completed, on the original interconnection request parameters (site, size, technology, etc.) for that interconnection request. Tenaska would be opposed to creating tradable queue positions whereby one entity, for example, can put in a request at one site and then trade queue positions with another entity at a different site. Such changes can have a profound effect, for example, on the type and amount of network upgrades that may be assigned to an interconnection request. Such tradable queue positions would probably lead to various gaming opportunities that would require increased regulation instead of less regulation.