

June 8, 2023

Via eFiling in Docket No. RM22-14-000

The Hon. Willie Phillips, Chairman
The Hon. James Danly, Commissioner
The Hon. Allison Clements, Commissioner
The Hon. Mark Christie, Commissioner

Federal Energy Regulatory Commission
888 First Street, N.E.
Washington, DC 20426

Re: Parties Support Ambitious Generator Interconnection Reform

Dear Chairman Phillips and Commissioners Danly, Clements, and Christie:

The signatories of this letter are energy consumer groups as well as the R Street Institute, a pro-market think tank. We support an efficient and reliable transmission system, which requires profound reforms to generator interconnection (GI) processes. We commend the Federal Energy Regulatory Commission (Commission) for its initial steps to reform GI, namely through the Notice of Proposed Rulemaking (NOPR) on improvements to generator interconnection procedures and agreements.¹ However, the NOPR leaves four critical reform areas unresolved.

Today's GI processes are vestiges of the transmission model for constructing thermal power plants. These processes no longer reconcile well with current market conditions, which are dominated by dispersed renewable resources that produce a far higher volume of interconnection requests while shifting the economics of transmission upgrades. This has overwhelmed regional transmission organization (RTO) staff and technological processing methods in most regions and added years in delays to GI requests. The incremental transmission upgrade approach used today increases uncertainty and upgrade costs by multiples, adding billions in costs that are largely passed through to consumers and create excessive barriers to entry for producers.²

The diversity of GI practices among jurisdictional RTOs suggests some best practices. Unlike other RTOs, the Electric Reliability Council of Texas (ERCOT) facilitates a transparent process to provide information like generator export ability, has no deliverability requirements, and handles network upgrades through regional transmission planning.³ The ERCOT model places more siting risk on generators, who bear more exposure to curtailment and congestion risk. ERCOT's simpler process has resulted in generation

¹ 87 Fed. Reg. 39934 (July 5, 2022). <https://www.govinfo.gov/content/pkg/FR-2022-07-05/pdf/2022-13470.pdf>.

² Johannes Pfeifenberger, "Generation Interconnection and Transmission Planning," The Brattle Group, Aug. 9, 2022. <https://www.brattle.com/wp-content/uploads/2022/08/Generation-Interconnection-and-Transmission-Planning.pdf>.

³ See e.g., "Initial Comments of the R Street Institute on Improvements to Generator Interconnection Procedures and Agreements," Docket No. RM22-14-000, Oct. 13, 2022. <https://www.rstreet.org/wp-content/uploads/2022/10/Comments-by-the-R-Street-Institute-on-Improvements-to-Generator-Interconnection-Procedures-and-Agreements.pdf>.

development and interconnection in 2-3 years, whereas the interconnection study alone will take at least that long in other regions.⁴

In RTOs jurisdictional to the Commission, proper regional transmission planning and GI reform can drastically lower transmission upgrade costs and lower barriers to entry while still achieving the necessary objectives of current GI processes. The Commission's NOPR offers incremental improvements that we support, including instituting a first-ready first-served cluster study approach and improvements to transmission system transparency.⁵ However, the NOPR addresses only two of five elements of needed GI reforms – GI process and queue management and cost allocation – with the outstanding elements being GI synergies with regional transmission planning, study approaches and criteria, and selecting solutions.⁶

If the Commission seeks a final rule within these confines, it leaves many critical reforms unresolved. The Commission should prioritize the following:

1. *Re-examine the role of regional transmission planning to drive cost-effective network upgrades.* The cost of network upgrades can be dramatically reduced through proactive regional transmission planning, which enables major reductions in GI requirements and delays. This will require coordination with the pending rulemaking on regional transmission planning.⁷
2. *Consider a focused interconnection study approach that uses transparent, realistic study assumptions.* Modeling approaches, study assumptions, and specific planning criteria differ across RTOs. For example, RTOs vary in whether and how they use re-dispatch in system impact study assumptions, which materially affects the predictability of network upgrade costs. This contributes to speculative queue positions, late withdrawals, and a less efficient GI process. Study practices should shed more light on reliability needs and alternatives to resolve them.
3. *Pursue mechanisms that require or motivate best queue management practices.* For example, current practices are manually intensive, whereas process automation and use of advanced computing methods may slash GI study periods.
4. *Simplify deliverability requirements, expand informational tools, and ensure commercial readiness requirements are not unduly burdensome.* The flood of “speculative” GI requests are motivated by lack of transparency and information, which can be satiated by proactive tools like heat maps and granular screening studies in RTO and non-RTO regions.⁸ Better information and simpler deliverability requirements shift congestion performance risk to generators while reducing barriers to entry.

These critical reforms cannot afford to be left out of the Commission's final rule. The rehearing, appeal, and compliance stages of a rulemaking proceeding of this complexity and consequence will take years to

⁴ Pfeifenberger, p. 7. <https://www.brattle.com/wp-content/uploads/2022/08/Generation-Interconnection-and-Transmission-Planning.pdf>.

⁵ See e.g., “Comments of the Electricity Consumers Resource Council on Improvements to Generator Interconnection Procedures and Agreements,” Docket No. RM22-14-000, Oct. 13, 2022. <https://elcon.org/comments-of-the-electricity-consumers-resource-council-elcon-docket-no-rm22-14-000-improvements-to-generator-interconnection-procedures-and-agreements/>.

⁶ Pfeifenberger, p. 6. <https://www.brattle.com/wp-content/uploads/2022/08/Generation-Interconnection-and-Transmission-Planning.pdf>.

⁷ 87 Fed. Reg. 26504 (May 4, 2022). <https://www.govinfo.gov/content/pkg/FR-2022-05-04/pdf/2022-08973.pdf>.

⁸ See e.g., “Initial Comments of Google, LLC, on Improvements to Generator Interconnection Procedures and Agreements,” Docket No. RM22-14-000, Oct. 13, 2022, pp. 13-

15. https://elibrary.ferc.gov/eLibrary/filelist?accession_number=20221013-5185&optimized=false.

unfold, while also diverting the attention of thought leaders at the Commission and in industry. Meanwhile, GI queues will continue to languish. If the Commission views the NOPR scope as insufficient to address these broader reforms, it should consider issuing a supplement to the current NOPR that seeks comment on these broader reforms. The Commission could then confidently issue a comprehensive final rule that holistically addresses the root causes of excessive GI costs and queue backlogs. Taking this step will protract the instant proceeding but ensure a more durable, effective final rule.

If, however, the final rule omits these critical reforms, we urge the Commission to at minimum communicate its intent to address any unfinished business. A commitment to issue a supplemental NOPR on an expedited basis would be justified by the record and by Commission precedent.⁹ We also encourage the final rule to acknowledge the limitations of its scope to resolve GI problems and indicate that more needs to be done.

Signed,

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⁹ See, e.g., 83 Fed. Reg. 9580 (March 6, 2018). <https://www.govinfo.gov/content/pkg/FR-2018-03-06/pdf/2018-03708.pdf>.

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