January 30, 2004

Via E-mail

Charles C. S. Iannello
Senior Economist
Energy Division - Policy Program
Illinois Commerce Commission
527 East Capitol Avenue
Springfield, IL 62701

Re: Comments on Distributed Generation Interconnection Draft Documents

Dear Mr. Iannello:

Pursuant to your e-mails dated December 19, 2003 and January 5, 2004, inviting comments on the Illinois Commerce Commission's ("ICC") draft distributed generation interconnection documents, Commonwealth Edison ("ComEd") is pleased to submit the following comments. ComEd appreciates the opportunity to offer these comments, and looks forward to working with Staff and other stakeholders to further explore these issues. Please note that these comments are provided for discussion purposes only and do not necessarily reflect the entirety of ComEd's position on any portion of this proposed rule or the final position ComEd may take in any subsequent proceeding.

I. Introduction

ComEd and its affiliates have been strong supporters of standardization of generation interconnection under the Federal Energy Regulatory Commission's ("FERC") jurisdiction, and ComEd is committed to supporting the development of fair and efficient standard interconnection rules on the state level.

ComEd's commitment to fair and efficient interconnection is reflected in its past actions. Since 1999 alone, ComEd has interconnected 21 new Independent Power Producers ("IPPs") to its transmission system, totaling 8,750 MW of new generation. Another 25 projects, with a capacity of over 5,900 MW, currently are in ComEd's IPP interconnection queue. In addition to the IPPs, ComEd has interconnected over 200 self-generation customers, varying in size from 75 kW to 60 MW, as well as many small renewable resources under 50 kW (such as solar panels and wind turbines) to its system. To accomplish this, ComEd has dedicated resources and personnel responsible for evaluating proposed generator interconnections and working closely with the developers to achieve a successful outcome.

ComEd has also shown innovation by creating and publishing its "Guidelines for the Interconnection of Distributed Generation to the ComEd System" (the "DG Book"). The DG Book was published to assist ComEd's customers through the established interconnection process for distributed resources that ComEd has used successfully for years. The DG Book explains processes associated with the interconnection of distributed generation to the ComEd system and includes a range of requirements relating to: rates, metering, telemetry, stability, wind and photovoltaic generation, application forms, inspection criteria, approval milestones and generation plan designations. Copies of the DG Book were distributed after its publication to the ICC, City of Chicago, the FERC, Midwest Cogen Association and various distributed generation developers. It is currently available electronically to anyone upon request at no cost.

ComEd's comments to the proposed rule provide a perspective based on its experience and success in interconnecting a vast and diverse generation portfolio in Illinois, and are intended to bring it more in-line with fair and realistic practices. The proposed revisions are provided to help the rule more effectively accomplish its objectives of creating fair and standardized terms and conditions, and realistic technical requirements, that will promote the safe, efficient, and reliable interconnection and parallel operation of distributed resources. Accomplishing this helps all parties – interconnection providers, generators, and customers.

II. General Revisions

1. The ICC's Jurisdiction Must Be Clearly Defined In The Rule

The proposed rule does not clearly define the interconnections over which the ICC has jurisdiction, as opposed to those interconnections that are under the exclusive jurisdiction of the FERC. In particular, basing jurisdictional determinations on whether the interconnected facility is “high voltage transmission” will result in confusion both because voltage is not the sole determining factor in functionalizing facilities and because the FERC has claimed jurisdiction over some distribution interconnections as well.

In order to more clearly respect those jurisdictional lines, ComEd proposes removing jurisdictional references to interconnections to the "high voltage transmission" system. ComEd’s revisions recognize that the FERC has clearly asserted jurisdiction, in its Standardization of Small Generator Interconnection Agreements and Procedures Notice of Proposed Rulemaking ("NOPR") over interconnections to any facilities that may be used either to transmit or to sell electric energy at wholesale in interstate commerce pursuant to a FERC-filed Open Access Transmission Tariff, whether they are classified as distribution facilities or transmission facilities. Furthermore, the ICC's reference to “high voltage” transmission could be read to disclaim jurisdiction over interconnections with high voltage distribution facilities, which appears inconsistent with the rule’s intent. These concerns can best be addressed by adding a provision that clearly

recognizes this rule applies to interconnections that are not otherwise under the jurisdiction of the FERC.

2. The Interconnection Providers Must Be Given Adequate Time To Complete Identified Milestones

The ICC can best achieve the goal of expediting interconnections of distributed resources by specifying prompt, but realistic, timelines. Setting timelines that are unnecessarily short or often unrealistic given the work that is required benefits no party, and can in fact prevent efficient scheduling and reduce the quality of interconnection work. In considering this issue, ComEd emphasizes that the size and type of the generation facilities being interconnected do not themselves dictate the time or the resources needed to conduct a proper engineering evaluation of the effect of the interconnection. Imposing unrealistic time deadlines on interconnection providers will inevitably result in hasty analyses that can negatively impact the safety and reliability of the system.

Accordingly, ComEd proposed modest modifications to timelines throughout the proposed rule as a reasonable compromise to achieve the ICC's goal of expediting interconnections while also protecting the safety and reliability of the system. These proposals are based on ComEd's extensive experience interconnecting generation resources to its system, and retain the rule's emphasis on prompt action. They are intended to respect the needs of both interconnection providers and interconnection customers to get their respective jobs done.

3. The Interconnection Provider And Its Retail Customers Must Not Be Required To Subsidize Distributed Resource Interconnections

The proposed rule requires the interconnection provider to give "binding maximum cost estimates" to the interconnection customer during various stages of the interconnection process. Then, if the actual costs fall below the binding maximum, the interconnection provider must refund the difference to the customer. However, the rule does not in turn allow the interconnection provider to collect from the customer actual costs above the cost estimate, even where there was no question about the good faith and reasonableness of the estimate.

The result of these provisions is that the interconnection provider, and consequently its other retail customers, are inappropriately forced to bear costs of the jurisdictional interconnections. This requirement should be modified, for several reasons.

First and foremost, it is inconsistent with the ICC's policy and rules on cost allocation for Illinois-jurisdictional interconnections, which recognize that generation developers and not other customers should bear incremental interconnection costs.

Moreover, it is counter-productive to the rule's goals. Putting an asymmetrical cap on estimates will inevitably cause the cost estimates to be inflated – in this case, an unavoidable response of the interconnection provider to protect itself and its retail customers from bearing interconnection costs that should be paid by the interconnection customer. This will negatively impact the business analyses of the interconnection customers with respect to the economic risks and gains of the proposed project.

The ICC can more effectively accomplish its goal of giving the interconnection customer cost certainty by requiring the interconnection provider to give a good faith binding cost estimate up front. Of course, in some instances the actual costs will come in higher than the estimates and in some cases, lower. However, by requiring a binding estimate with no authorization for either refund to, or collection from, the customer, the overall costs of generation interconnections are assigned as they should be - to the interconnection customers. ComEd has included specific revisions in the rule attached to accomplish this goal.

In the alternative, if the interconnection customers are more concerned about paying actual costs then they are about cost certainty, they can be given a choice for a binding estimate or a true up of the actual costs upon completion of the project. However, under the latter option, the true up must be applied both ways, such that a customer not only gets refunded any over-estimated costs, but must also pay any under-estimated costs. This method is necessary in order to protect the interconnection provider's retail customers from subsidizing the interconnection customer's project contrary to ICC policy.

4. <u>The Interconnection Providers Should Not Be Required To Make Unnecessary and Burdensome Filings With The ICC</u>

Under several provisions of the proposed rule, the interconnection provider is required to make unnecessary and burdensome filings with the ICC. Putting aside the question of whether the rule inappropriately restructures utilities' existing tariffs or provides for the filing of a new tariff, ComEd believes that the purpose of the rule can best be accomplished without these requirements.

First, under Section XXX.060, the provider is required to file a tariff that includes set rates for the initial reviews required under the rule. The rule proposes that the rates "shall be differentiated by the nameplate capacity of the generator being interconnected and characteristics of the circuit at the proposed point of interconnection." This incorrectly presumes that the cost of the initial review is dictated solely by the size of the generator and the location of the interconnection. In fact, experience has shown that there are several other factors that can and do significantly affect costs. These factors cannot all be anticipated in a vacuum for purposes of establishing set rates to be filed in a tariff.

However, ComEd recognizes the interconnection customer's and the ICC's desire for cost transparency. Accordingly, it has revised the language in the proposed rule to require the interconnection provider to post its current charge per engineering man-hour on its website, so that the interconnection customer can determine the magnitude of the initial review cost once the provider has estimated the time required for it to be completed.

The proposed rule would likewise require an unnecessary tariff filing under Section XXX.130. In that section, the interconnection provider is required to file a tariff incorporating the final rule. The rule itself will contain the procedures, the form applications, and the form interconnection agreement. Requiring each interconnection provider to file those exact same documents in a tariff is inconsistent with past practice, simply unnecessary duplication, and serves no apparent purpose.

Finally, in Section XXX.030, the ICC requires the interconnection provider to notify the ICC when it has missed a time deadline imposed under the rule. This provision does not, however, explain the purpose of such a filing. There could, and most likely will be on occasion, unforeseen circumstances that will require an interconnection provider to need additional time to complete a specific task. So long as the interconnection customer is promptly notified of a delay, and mutually agrees with that extension, the ICC should not require any notice. Requiring automatic notices to the ICC any time a provider requires an extension of time sends a false message that extensions under any circumstance violate the letter of the rule and must be monitored. ComEd's proposed revision is fair to all, and in no way affects or limits the protection the interconnection customer is afforded against abuses by the provider by its right to file a complaint pursuant to 83 Ill. Adm. Code 200 at any time it believes there is a violation of the rule.

III. Specific Revisions

With the exception of ComEd's general suggestions as described above, most of ComEd's proposed revisions have been drafted in the proposed rule using the "track changes" feature. Those changes that are not self-explanatory are explained directly in the rule, as requested by the ICC Staff.

IV. Conclusion

ComEd hopes its comments based on its experience and successes with generation interconnections are helpful to the Staff in preparing its next draft of the proposed rule. ComEd looks forward to playing an active role with Staff and other stakeholders in the finalization of these interconnection documents.

Thank you.

Very truly yours.

/s Paul R. Crumrine

Paul R. Crumrine
Director, Regulatory Strategy and Services

Enc.