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Public Service Commission

February 1, 2002

VIA ELECTRONIC FILING

Honorable Magalie R. Salas
Federal Energy Regulatory Commission
888 First Street, NE
Washington, DC 20426

RE: Docket No. RM02-1-000, Standardizing Generator Interconnection
Agreements and Procedures

Dear Ms. Salas:

Forwarded herewith are Comments of the Florida Public Service Commission regarding the Advance Notice of Rulemaking in the above docket. These comments were filed on January 8, 2002, in error in Docket No. RM02-01-000, and are being filed again to make certain they are filed in Docket No. RM02-1-000. The comments had the correct caption, "Standardizing Generator Interconnection Agreements and Procedures."

Sincerely,

/ s /

Cynthia B. Miller, Esquire
Bureau of Intergovernmental Liaison

CBM:tf

**UNITED STATES OF AMERICA
BEFORE THE
FEDERAL ENERGY REGULATORY COMMISSION**

Docket No. RM02-1-000

Standardizing Generator Interconnection Agreements and Procedures
Advance Notice of Proposed Rulemaking

COMMENTS OF THE FLORIDA PUBLIC SERVICE COMMISSION

The Florida Public Service Commission (FPSC) appreciates this opportunity to comment on the FERC's Advance Notice of Proposed Rulemaking (ANOPR), Standardizing Generator Interconnection Agreements and Procedures. The FPSC agrees with the FERC that standardization of generator interconnection procedures is important. Procedures must be established that will encourage reliable and cost-effective siting decisions. However, the FPSC has identified two areas of concern raised by the ANOPR and urges the FERC to: (1) expressly recognize that the states may adopt stricter standards than those eventually adopted by the FERC; and (2) consider the potential for inefficient location of generating units and increased costs to retail ratepayers resulting from the spreading (socialization) of generator interconnection upgrade costs to all transmission customers.

(1) Authority of States to Adopt Stricter Standards

We concur with the FERC's initiative to standardize, to the extent possible, generator interconnection requirements. However, we point out that each region is unique. For example, because of Florida's peninsular nature, the Florida Reliability Coordinating Council (FRCC) bulk power system has a greater exposure to separation of its transmission system from the rest of the interconnected grid than do other regions of the Eastern Interconnection. Such a separation could result in a drastic decline in frequency. For this reason, the utilities in Peninsular Florida have developed a sophisticated system of under-frequency relaying. Generator tripping points due to

under-frequency have to be coordinated with the load under-frequency relaying scheme in order to effectively deal with frequency deviations. Premature tripping of generators would exacerbate the frequency decline, resulting in possible statewide blackouts. This is but one example of the type of regional difference that needs to be acknowledged in any interconnection standardization, and allowance made for such differences.

The FPSC urges that the FERC expressly recognize that the states may adopt stricter standards than those adopted by the FERC for reliability purposes. Under our “grid bill authority,”¹ the FPSC has jurisdiction over the planning, development, and maintenance of a coordinated electric power grid throughout Florida to assure an adequate and reliable source of energy for operational and emergency purposes in Florida. Other states have similar statutes. This responsibility is

¹ The following Sections of Florida Statutes constitute the FPSC’s “grid bill authority:”

Section 366.04(2)(c) To require electric power conservation and reliability within a coordinated grid, for operational as well as emergency purposes.

Section 366.04(5) The commission shall further have jurisdiction over the planning, development, and maintenance of a coordinated electric power grid throughout Florida to assure an adequate and reliable source of energy for operational and emergency purposes in Florida and the avoidance of further uneconomic duplication of generation, transmission, and distribution facilities.

Section 366.05(7) The commission shall have the power to require reports from all electric utilities to assure the development of adequate and reliable energy grids.

Section 366.05(8) If the commission determines that there is probable cause to believe that inadequacies exist with respect to the energy grids developed by the electric utility industry, it shall have the power, after proceedings as provided by law, and after finding that mutual benefits will accrue to the electric utilities involved, to require installation or repair of necessary facilities, including generating plants and transmission facilities, with the costs to be distributed in proportion to the benefits received, and to take all necessary steps to ensure compliance. ...

Section 366.055(1) Energy reserves of all utilities in the Florida energy grid shall be available at all times to ensure that grid reliability and integrity are maintained. ...

Section 366.055(3) To assure efficient and reliable operation of a state energy grid, the commission shall have the power to require any electric utility to transmit electrical energy over its transmission lines from one utility to another or as a part of the total energy supply of the entire grid, subject to the provisions hereof.

especially important as the industry transitions to a more fully competitive generation market and as increasing numbers of market participants vie for transmission capacity.

The FPSC has a key role to play, in collaboration with the FERC, regarding generator interconnection standards and procedures because of our grid bill authority and our knowledge and direct regulatory oversight of Florida utility systems and constraints. For example, disputes over interconnection issues, for both generators and delivery points, may be more efficiently and effectively addressed initially at the state level than at the FERC.

(2) Cost Responsibility and Pricing

The FPSC is concerned that socialization of interconnection upgrade costs will impose costs on retail customers who may not benefit from the upgraded facilities and may provide a perverse incentive to locate generating units in places where overall costs for fuel delivery, transmission, and other associated power plant costs, are not minimized. If plants are not located in the most efficient manner, costs to retail customers will increase unnecessarily.

It is not clear at this time whether such additional costs are outweighed by possible benefits of socialization, such as elimination of queuing problems that are difficult to solve. One possible alternative to the socialization of interconnection costs to all customers of the transmission provider(s) is for generators to share in the cost of the upgrade when they interconnect in the same general time frame and make use of the same upgrade facilities.

The FPSC plans to conduct a workshop in the near future on generator interconnection queuing and transmission upgrade cost allocations. The comments we receive at the workshop should provide information useful in addressing these issues at both the state and federal levels.

FERC staff are welcome to attend the workshop. Please contact Roland Floyd at (850) 413-6676 if you have questions or if you need additional information about the workshop.

The FPSC supports the FERC in its endeavor to standardize generator interconnection agreements and procedures while allowing each state or region flexibility to address unique needs. We look forward to working with the FERC in a collaborative manner on these and other important issues.

Respectfully submitted,

/ s /

Cynthia B. Miller, Esquire
Bureau of Intergovernmental Liaison

FLORIDA PUBLIC SERVICE COMMISSION
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DATED: February 1, 2002