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December 2, 2003

Via hand delivery

Ms. Blanca S. Bayó , Director
Division of Commission Clerk and
Administrative Services
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, FL 32399-0850

RE: Docket No. 020233-EI "Additional Issues List" of:

**Florida Industrial Cogeneration Association
Florida Phosphate Council
Solid Waste Authority of Palm Beach County**

Dear Ms. Bayó :

Listed below for filing in the referenced Docket is the "Additional Issues List" compiled and submitted on behalf of the Florida Industrial Cogeneration Association, the Florida Phosphate Council, and the Solid Waste Authority of Palm Beach County ("Florida QFs").

1) **Treatment of Uninstructed Deviations from Schedules.** Florida QFs have concerns regarding the potential for charges and penalties assessed to "fuel" or "process" following QFs.

- The RTO should not be permitted to charge customers for unspecified ancillary service costs that might be incurred but left unrecovered. The imposition of such charges would fail to take into account the fact that: (i) some imbalances provide system benefits and (ii) it is not possible to trace costs to individual customers.
- The RTO should be severely limited in its ability to impose penalties for uninstructed deviations from schedules for fuel or process following QFs such as waste heat cogeneration facilities and municipal solid waste facilities. It is often difficult, if not impossible, for such facilities to avoid uninstructed deviations from schedules.

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- With respect to penalties for deviation from schedule for these types of facilities, the RTO should adopt a “no harm, no foul” policy, similar to that employed by the FERC in connection with natural gas pipeline imbalances. The RTO should:
 - i) allow exchange of imbalances in-kind
 - ii) provide for trading of offsetting imbalances with other participants
 - iii) establish a reasonable tolerance band of permissible deviations from schedules
 - iv) assess penalties only for intentional “gaming” behavior

2. New Charges For Existing Interconnected QFs. Florida QFs are concerned that the RTO may be authorized to impose “new” charges on them simply by virtue of their operation of existing electric generating facilities (QFs) currently interconnected to the grid.

- The RTO should not be authorized to impose “new” fees or charges on existing QFs for connection to the grid.
- Similarly, the RTO should not be authorized to impose new fees or charges on existing QFs for delivery of electricity via the RTO to the QF’s “native” utility.

3. Market Monitoring. The GridFlorida market monitor must be independent of market participants, and must possess complete authority and mandate to: foster competitive markets; prevent the abuse of market power; and make-whole those persons harmed by the exercise of market power. Market monitoring/mitigation mechanisms must be designed to address more than transient market power and design problems, and facilitate the transition to competitive markets. The details of the market monitor and its function should be fully developed prior to commencement of operation of the RTO.

- Due to steep entry barriers and high concentrations of market power, Florida QFs do not feel Florida is presently suitable for development of competitive wholesale electric markets. Participation in an RTO-run market supervised by a market monitor should be sufficient to exempt suppliers from the need to satisfy appropriate and clearly articulated market power screening requirements.
- The market monitor must be authorized to effect prospective as well as retroactive mitigation measures. The market monitor must possess the authority to impose a refund condition on market-based rates found to have resulted from collusion or the exercise of market power.

4. Authority To Order Transmission System Improvements. As both consumers and producers of electricity, Florida QFs believe that it is critical to maintain a transmission grid that is reliable and designed to allow the free flow of electricity from wholesale buyers and sellers within the State. It is important that the FPSC retain the authority to require transmission system improvements as deemed necessary to serve the needs of Florida and to assure that transmission inadequacies or constraints do not hinder the operation of a fully competitive wholesale market.

- GridFlorida must be carefully structured so that the FPSC will not be hindered in its statutory obligations under Florida law, such as the "Grid Bill". However, vesting complete authority over the transmission system in the RTO could do just that. Florida QFs urge safeguards in the event the RTO fails to maintain a reliable and adequate transmission system. FPSC should maintain its:
 - (i) independent authority to order a transmission owner to, maintain, improve or expand the transmission system, and/or,
 - (ii) oversight of RTO grid operations, maintenance, improvements, and expansions, with explicit authority to require the RTO to implement specific FPSC ordered actions or requirements.

5. Increases In Transmission Import Capacity. Florida's peninsular geography dictates that GridFlorida take measured steps to increase electrical import capability into Florida by increasing across-border transmission capability. Florida QFs urge GridFlorida to include a requirement that the RTO incrementally increase and maintain electrical across-border import capacity at 20% percent of peninsular Florida's peak electrical demand for each calendar year, by no later than 2010 or such later date as determined to be appropriate by the Commission.

If you have any questions concerning this filing, please do not hesitate to contact this office.

Sincerely



Richard A. Zambo

RAZ/ms

xc: Roberta Bass