UNITED STATES OF AMERICA
BEFORE THE
FEDERAL ENERGY REGULATORY COMMISSION

June 4, 2013

Small Generator Interconnection	)	Docket No. RM13-2-000
Agreements and Procedures	)	

COMMENTS AND PETITION OF INDUSTRIAL ENERGY CONSUMERS OF AMERICA ON NOTICE OF PROPOSED RULEMAKING ("NOPR"), issued by the Commission on January 17, 2013 (Docket No. RM13-2-000)[1]

The Industrial Energy Consumers of America ("IECA") submits the following Comments and Petition on the proposed rules issued pursuant to the Notice of Proposed Rulemaking ("NOPR") of the Federal Energy Regulatory Commission (the "Commission" or "FERC") in the above-referenced docket concerning revisions to the Small Generator Interconnection Agreements and Procedures (SGIA/P).

IECA in its Comments recommends that the Commission adopt the proposed rule revisions for small generator interconnection. However, IECA notes that the Commission suggestion of the "meaningful dialogue" may not resolve impasse; and the SGIP utilized and all outcomes including lengthy evaluations, should be monitored by the Commission along with relevant utilization and outcomes of Dispute Resolution Processes. Further, IECA suggests that Large Generator Interconnection Agreements and Procedures (LGIA/P)[2] should be similarly monitored by FERC, particularly for interconnection of industrial combined heat and power and waste heat recovery (CHP/WHR) facilities.

Finally, IECA in its Petition requests additional FERC action to a) identify and remove barriers to interconnection by manufacturer CHP/WHR facilities and similar generators under SGIA/P and LGIA/P, and b) to provide interconnection guidance to states.

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[1] *Small Generator Interconnection Agreements and Procedures*, 142 FERC ¶ 61,049 (2013), 78 FR 7524 (2013).
[2] S*tandardization of Generator Interconnection Agreements and Procedures*, Order No. 2003, January 20, 2004; final rehearing Order No. 2003-C, June 16, 2005, hereinafter Large Generator Interconnection Agreements and Procedures (LGIA/P).

I. BACKGROUND

The Industrial Energy Consumers of America is a nonpartisan association of leading manufacturing companies with $1.3 trillion in annual sales, over 1,500 facilities nationwide, and with more than 1.7 million employees worldwide. It is an organization created to promote the interests of manufacturing companies through research, advocacy, and collaboration for which the availability, use and cost of energy, power or feedstock play a significant role in their ability to compete in domestic and world markets. IECA membership represents a diverse set of manufacturing companies from NAICS 31, 32, 33 industries, including: chemicals, plastics, cement, paper, food processing, brick, fertilizer, steel, glass, industrial gases, pharmaceutical, aluminum and brewing. The manufacturing sector employs 12 million people directly and indirectly, an additional 5 million. In 2011, we accounted for 86.1 percent of exports totaling $1.27 trillion. IECA members have experience in the subject matter of this rulemaking and have a direct interest in the outcome of this proceeding.

IECA members have continuing interest in expansion of interconnection opportunities for industrial CHP/WHR. CHP/WHR lowers manufacturing costs thereby improving competitiveness, jobs and exports.

About one-third of electricity and natural gas is consumed by the industrial sector. Currently, utilities have announced the retirement of nearly 25,000 MW of coal-fueled electric generating capacity due to EPA regulations, plus another 9,000 MWs for other reasons. Total projected retirements vary greatly adding significant uncertainty to reliability. Associated EPA driven coal-fueled retirements as estimated by the North American Electric Reliability Council is between 33 GW to 77 GW, while FERC estimates 81 GW. Additionally, a NERA consulting study estimates that the Utility MACT rule will cause the loss of 180,000 to 215,000 jobs by 2015. The transformation of the bulk power system is occurring quickly and simultaneously with transformation of the energy intensive industrial sectors. Industrial CHP/WHR presents an opportunity but is challenged by federal and state interconnection policies, practices and processes.

Unlike utilities, energy intensive industrials face global competitive challenges as well as tighter environmental regulation requiring ever increasing energy efficiency. Unlike utilities, industrials cannot easily pass costs on to captive customers with inelastic energy demand. Industrial CHP/WHR is a key technology by which the US economy can successfully compete in the globally traded economy. Industrial CHP/WHR is among the most cost-effective means to achieve energy efficiency and all of its net benefits, energy or non-energy, but only if market and regulatory barriers are identified and removed.

With reliability concerns rising in organized markets, industrial CHP/WHR opportunities should be a high priority, cost-effective option. However, as recognized by FERC in this docket, market barriers such as interconnection procedures (SGIP/LGIP) undermine cost-effect achievement of reliability, U.S. manufacturer global competitiveness, and job loss mitigation.

IECA notes that nearly a decade has transpired under the current organized market framework, and that since 2005 industrial CHP deployment has dramatically declined. Among barriers thought to contribute to this decline are burdensome interconnection procedures under both SGIA/P and LGIA/P. IECA finds that this is an important issue that is timely. It is for this reason we Petition for additional proceedings to raise and address removal of barriers under SGIA/P and LGIA/P to industrial CHP/WHR interconnection and other generators. We also Petition for FERC in such proceedings to provide guidance to states.

II. COMMENTS

The NOPR raises an opportunity to address a need for industrials to increase investment in CHP/WHR by removing regulatory barriers to interconnection across electricity markets. Addressing these needs in this docket will modestly allow the CHP/WHR "programs"[3] to evolve to more robust CHP/WHR or distributed generation "markets." Greater industrial facility participation in distributed generation will create global competitive benefits, and benefits to the wider electricity end-user communities in which they operate. Public benefits include:

[3] See Executive Order 13624, August 31, 2012. Notably the Executive Order makes reference to coordination of program efforts with the FERC, but an agenda or a path forward is not mentioned to address organized market rules to, among other things, streamline interconnection for CHP/WHR. A FERC process like Docket No. RM13-2-000 but focused on industrial energy efficiency, demand response and CHP/WHR barriers should be considered for larger CHP/WHR.

comparatively lower electricity prices, more reliable electricity service, lower emissions, and a more competitive economy that creates jobs.

In summary, IECA generally supports the adoption of the proposed SGIA/P revisions, but requests the Commission to initiate an additional step to take SGIP addressed here (including those that are routed to LGIP) beyond a "meaningful dialogue." IECA requests the Commission to monitor and routinely report organized market utilization and outcomes of the SGIP/LGIP. IECA further requests the Commission initiate a process as requested by the Petition to raise and address removal of barriers to industrial CHP/WHR interconnection and other generators.

A. Pre-application Report

The Commission proposes to provide the Interconnection Customer with the option of requesting a pre-application report from the Transmission Provider for a fee of $300. Further the proposed revisions to the pro forma SGIP specify timeframes for providing the pre-application report (10 days) and the information that the report should contain (existing). Additionally, the Commission proposes information that the pre-application request must contain i.e., the proposed Point of Interconnection.[4]

IECA supports the Commission pre-application report reforms. While the request for this reform comes from developers of solar generation, the reforms should be technology neutral. IECA believes that this reform will support industrial CHP/WHR interconnection and is technology neutral.

B. Threshold for Fast Track Process

The Commission proposes to revise the 2 MW threshold for participation in the Fast Track Process. The Commission proposes to "base Fast Track eligibility on individual system and generator characteristics, up to a limit of 5 MW. These characteristics include interconnection voltage level, the circuit distance of the interconnection from the substation, and generator capacity."[5]

[4] NOPR at p. 7528.
[5] Id.

IECA agrees with the Commission and finds that the proposal is a reasonable attempt to "balance Interconnection Customer's need for a faster, less costly interconnection process with Transmission Providers' need to ensure the safety and reliability of their systems." However, IECA believes that applications from developers of renewable generation will substantially increase requiring more Transmission Provider attention and that given regulatory pressures and global competitive stakes, industrial CHP/WHR projects (at new or existing sites) would be better accommodated with a higher threshold for a Fast Track process.

C. Customer Options Meeting and Supplemental Review

For those Interconnection Customers whose projects fail any of the ten Fast Track screens, including the 15 Percent Screen, the Commission proposes to revise the customer options meeting and supplemental review.[6] The proposed reform is modeled on the California Rule 21 and proposes to "leave the 15 Percent Screen in place while providing an alternative to the 15 Percent Screen as part of the supplemental review that enables penetration levels to exceed 15 percent on a case-by-case basis."[7]

The specific content of the supplemental review screens proposed in the NOPR, include:

- Twelve months of minimum load data or additional data, if available;
- The reasons that minimum load data are not available; and
- Potential modifications to the supplemental review screens.

IECA agrees that the Commission proposal strikes a middle ground that allows interconnection requests to be more expeditiously reviewed while maintaining safety, reliability, and power quality standards. The $2,500 fee for the supplemental review proposed in the NOPR is appropriate.

[6] Id. at pp. 7529-7930.
[7] NOPR at p. 7530.

D. Review of Required Upgrades

The Commission proposes revision of the pro forma SGIP to give the Interconnection Customer an opportunity for review and comment on upgrades required for interconnection.[8] This opportunity is similar to the opportunity for review and comment afforded under the Large Generator Interconnection Procedures (LGIP).

In the LGIP, the draft facilities study report on required upgrades is subject to Interconnection Customer review and comment. The Transmission Provider must include these comments in the final report and may alter the study based on the comments. If requested by the Interconnection Customer, the Transmission Provider must provide "supporting documentation, work papers, and databases or data" developed in the preparation of the facilities study. The LGIP also provides for a meeting within ten business days of Interconnection Customer receipt of the draft facilities report.

The NOPR states that routing the applicant from the pro forma SGIP to the pro forma LGIP for "required upgrades" will promote "dialogue" with a "meaningful opportunity to review and comment on interconnection upgrade requirements."[9]

IECA members have mixed experience under the LGIP. As shown in the "Flow Chart for Interconnecting a Certified Small Generating Facility Using the Fast Track Process,"[10] there are three potential outcomes for an application by an Interconnection Customer: agreement, withdrawal, and evaluation. Evaluation may be the most troublesome for the industrial Interconnection Customer. Time consuming and expensive evaluation can easily delay, or effectively terminate CHP/WHR projects. While the Commission looks for the Transmission Provider and the Interconnection Customer to resolve all issues, the experience of IECA members reveals frustration particularly concerning barriers of time delay and study costs.

Industrial facilities considering CHP/WHR are often in a long-standing existing location. Existing industrial facilities attempting to retrofit, repower or fuel switch to meet environmental

[8] Id.
[9] Id., pp. 7530-7531.
[10] Id. at p. 7536.

regulatory deadlines are not looking for locations providing low-cost and effortless interconnection as some Small Generator developers may be inclined to do under these proposed revisions to the SGIP. For existing industrial facilities, the prospect of continuous evaluation costs and time will end energy efficiency projects (including CHP/WHR) driven by environmental regulation or other factors, before they begin.

To achieve continuous improvement, the Commission should monitor and measure the effectiveness and efficiency of its SGIP. The Commission should assure that its SGIP and LGIP do not have the unintended consequences of providing opportunity for Transmission Providers to easily stop SGIP or LGIP applications with endless evaluation processes of "meaningful dialogue." No matter how strongly the "Commission believes…the Transmission Provider should make the final decision regarding required upgrades for interconnection," it should at least know that such potential unintended consequences have been minimized. [11]

For the purpose of better understanding barriers to Small Generator deployment, and based on experience with information filed in FERC Docket No. ER11-1830 filed by the California ISO (CAISO), the Commission should initiate a process that routinely gathers key information to monitor the utilization and outcomes of SGIP including but not limited to: agreement, withdrawal, evaluation, impasse, and dispute resolution. FERC should track, characterize, tabulate and annually report all resolved and unresolved interconnection applications under its SGIP for the purpose of identifying and potentially removing interconnection barriers.

E. Other Revisions

The Commission proposes revisions to the pro forma SGIP to clarify that Network Resource Interconnection Service applications shall follow the LGIP with execution of an LGIA.[12]

IECA reiterates its position concerning review of required upgrades above. Where an SGIP is routed to LGIP because of the Network Resource Interconnection Service qualification, the Commission should initiate a process that routinely gathers information to monitor the utilization and outcomes of SGIP/LGIP including: agreement, withdrawal, evaluation, impasse, and dispute

[11] NOPR at p. 7530
[12] Id at p. 7531.

resolution. For the purpose of better understanding barriers to Small Generator deployment, and based on experience with information filed in FERC Docket No. ER11-1830 filed by the CAISO, FERC should track, characterize, tabulate and annually report all resolved and unresolved interconnection applications under its SGIPs/LGIPs for the purpose of identifying and potentially removing interconnection barriers.

The IECA has no position or comment on standards to prevent automatic disconnection during an over- or under-frequency event.[13]

III. PETITION FOR FERC ACTION TO IDENTIFY AND REMOVE BARRIERS TO INTERCONNECTION BY CHP/WHR FACILITIES UNDER SGIA/P and LGIA/P AND TO PROVIDE GUIDANCE TO STATES

IECA finds the FERC proposed revisions to SGIA/P a welcome action. However, this action has also raised a clarification and interest in revision of the LGIA/P and additional revision to SGIA/P. A decade has elapsed since FERC issued Order No. 2003 concerning interconnection of large generators under LGIA/P.[14] In the meantime, the Energy Policy Act of 2005 was enacted and FERC issued Order No. 688. These developments have resulted in time delays and costs that pose barriers to interconnection of industrial CHP facilities. Since Order No. 688 was issued, IECA contends that interconnection processes and practices unjustly and unreasonably discriminate against industrial CHP access to wholesale markets real-time, short-term, and long-term energy and capacity and will continue to do so until remedied.[15]

IECA contends that FERC "deliverability" standards are a barrier to industrial CHP/WHR investments. The standards do not recognize the nature of the industrial CHP/WHR host manufacturer relationship. The standards do not differentiate industrial CHP/WHR from central station power (e.g., merchant generator). Potential CHP/WHR facilities are often remote and will routinely consume most of the electricity produced. Transmission upgrades are imposed on

[13] Id.
[14] Order No. 2003, was followed by Order No.2003-C. FERC held a technical conference in Docket No. AD08-2 to address interconnection challenges under Order No. 2003, concerning solar and wind facilities.
[15] Testimony of Irene Kowalczyk, on behalf of MeadWestvaco Corporation and Industrial Energy Consumers of America before the US Senate Committee on Energy and Natural Resources, Subcommittee on Energy May 7, 2009, "Legislative hearing regarding net metering, interconnection standards, and other policies that promote the deployment of distributed generation to improve grid reliability, increase clean energy deployment, enable consumer choice, and diversify our nation's energy," Washington, DC.

industrial CHP/WHR units as if they were sited like a new central station power unit. These standards require that generators prove that their output is deliverable to the grid (load) even if that will not occur; triggering expensive, time consuming studies. The CHP/WHR generator must finance the transmission upgrade upfront. Some RTOs actually require transmission connections as if the industrial-host load were not present. In addition to FERC interconnection rules, RTO/ISO practices and requirements of short-term capacity payment periods, control of manufacturer CHP/WHR, and discriminatory pricing of CHP/WHR behind the meter, all work against investment in manufacturer CHP/WHR projects. [16] These interconnection processes, practices, payment periods, control requirements, and pricing "behind the meter" unjustly, and unreasonably discriminate against industrial CHP/WHR access to wholesale real-time, short-term and long-term energy and capacity markets.

A. Streamline Network Resource Service Study Requirements for Deliverability in Interconnection.

FERC interconnection rules (deliverability standard) on "Energy Only Service" (EOS) and "Network Resource Service" (NRS) discriminate against manufacturing investment in CHP/WHR. The rules favor sales by more expensive incumbents' with "right" to run. The standard is based on the PJM model of interconnection. Facilities that qualify as a NRS are guaranteed a substantially higher price for electric power than EOS. To get NRS status, facilities must go through an extensive three prong process and pay for transmission upgrades to show power is "deliverable" to load. NRS status allows participation in PJM's auctions to receive a "capacity payment." The standard provides a reduced price paid to EOS providers (which do not qualify as NRS providers). New entrant EOS providers are treated as "marginal units" capable of running simultaneously without disturbing the NRS incumbents' "right" to run. NRS unit preference exists even if the EOS unit provides power at lower price. This standard unnecessarily limits competition, but also discourages industrial CHP/WHR investment. Other ISOs (e.g., NY, NE) have adopted a non-discriminatory deliverability standard[17] (as a variation on FERC rules) that provides any grid-connected unit (that preserves grid reliability, stability and existing transfer capacity) opportunity to compete in both capacity and energy markets. If there

[16]Barriers to the Expansion of Electrical Cogeneration by the Wood Products Industry in the United States, Irene Kowalczyk, Journal of Sustainable Forestry, 2013, Special Issue: Sustainable Wood Bio-energy in the United States. http://www.tandfonline.com/eprint/gurpUGCJdnjCtP398tFa/full

[17] The "Minimum Interconnection Standard," maximizes competitive entry to the grid.

is not enough transmission infrastructure to deliver the output from both the new and existing units, then the units are forced to compete on basis of price to determine which unit gets dispatched.

Additionally, FERC should consider modifications to SGIP/LGIP processes to Fast Track industrial CHP/WHR, particularly for existing sites and regions where the effects of environmental regulation and electricity and natural gas utility service transitions provide opportunity for optimal environmental and economic outcomes.

FERC should review generator interconnection standards for manufacturer CHP/WHR, identify RTO/ISO interconnection (including deliverability standards) practices and processes (including Fast Track) that unnecessarily limit competition and investment in industrial CHP/WHR, and issue new rules accordingly.

B. Provide Longer-term (15 to 20 year) Capacity Payment Periods for Industrial CHP/WHR in Forward Capacity Markets.

Industrial CHP/WHR projects with power sales to RTOs are much harder to finance than sales under long-term contracts with utilities at avoided cost under PURPA. This is because power sales agreements with utilities under PURPA would typically establish a capacity payment for about a 20-year term. In RTOs, such as PJM where a separate capacity market exists, sellers can have price certainty for capacity payments on a 3-year maximum forward basis.

FERC should establish longer-term capacity payment mechanisms to encourage capital formation for manufacturer CHP/WHR investments e.g., a 15 to 20 year term capacity payment for manufacturer CHP/WHR facilities.

C. For Non-capacity Resources, Remove Requirements of RTO/ISO Control of Onsite Manufacturer CHP/WHR (energy services).

RTOs and ISOs often require that non-capacity interconnected generators, including onsite CHP/WHR, be under their control, even if the generator is not making sales to the market. This requirement allows an RTO to dispatch a CHP's entire power production capability to other uses

based on the needs of the electrical transmission grid, irrespective of the needs of the CHP/WHR's primary business. This requirement is a significant disincentive for any industrial CHP/WHR facility seeking access to the grid. The RTOs and ISOs should not mandate that CHP/WHR facilities comply with all the operational rules developed for merchant generators listed in their generic tariff provisions and mandated by execution of their operating agreements. Instead, RTO/ISO tariffs need to be flexible and allow for the refinement of contract terms to accommodate any particular needs and concerns with respect to the curtailment and dispatch of CHP/WHR.

For non-capacity resources, the FERC should prohibit RTO/ISOs from controlling onsite manufacturer CHP/WHR curtailment and dispatch.

D. Mandate that Behind the Meter Generation Receive Locational Marginal Pricing (LMP) Whether as Sales to the RTO/ISO or as a Demand Response Mechanism.

Simply stated, the industrial customer (or its demand response provider) should be allowed to bid its load reduction into the RTO's day ahead or real time market. If the bid is accepted, the customer reduces his load (or turns on his generator) at the designated time, submits a settlement and gets paid LMP at the end of the month. No application would be required. Behind the meter generation would be treated as DR. The nodal LMP would apply, nothing special need be done. At one time, NY ISO would not pay a customer for DR if the reduction in grid load was accomplished by running behind-the-meter generation. So, the customer would not be paid. This mandate would prevent this form of discrimination. The policy means that if the customer reduces its takes from the grid by running behind the meter generation, the industrial customer can be paid LMP for the reduction in grid-supplied load. [18]

FERC should order that industrial behind the meter generation should receive LMP whether as sales to the RTO/ISO or as a demand response mechanism.

[18] Load as Resource, Integrating Controllable Demand into Real-time, Security Constrained Economic Dispatch. Audrey Zibelman, et al., Public Utilities Fortnightly, August 2012, http://www.fortnightly.com/fortnightly/2012/08/load-resource

E. Prohibit Discriminatory Pricing Treatment of "Behind the Meter" CHP/WHR.

"Behind the meter" generation refers to electricity generated onsite at a facility that is not sold to a RTO or ISO or to another wholesale entity. The RTOs and ISOs have attempted to charge customers who supply their own needs with behind-the-meter generation as if they had taken their entire power supply from the RTO/ISO controlled grid. The attempted charges are for transmission, ancillary services and administrative fees based upon the total electrical consumption of a manufacturing facility, rather than the "net" amount actually taken from the grid. This cost allocation scheme is known as "gross load" pricing. CHP/WHR projects should not be required to pay for services on a gross load basis, but on the net actually taken off grid.

FERC should review and prohibit gross load pricing for CHP/WHR generated electricity on site and not sold to grid or to others and provide guidance to states to do the same.

IECA requests FERC to initiate proceedings to identify and remove existing barriers to interconnection of small and large industrial CHP/WHR facilities under current the SGIA/P and LGIA/P. For the most part, these barriers are processes and practices that unjustly and unreasonably discriminate against industrial CHP/WHR access to wholesale markets under an Open Access Transmission Tariff (OATT). IECA expects that such proceedings would build on the experience of this docket and Docket No. AD08-2, including the technical workshops or conferences. And that such proceedings would address the contentions made above.

F. Provide Actionable Path Forward for NTAs i.e., Industrial CHP/WHR.

Order No. 1000 requires consideration of "non-transmission solutions" (NTAs) in the regional transmission planning process.[19] However, barriers to NTA implementation exist "making it unlikely that regional plans will ever approve their implementation - or that genuinely competitive solutions will prevail anytime soon."[20] Among these barriers are issues of proposing

[19] Order No. 1000, Transmission Planning and Cost Allocation by Transmission Owning and Operating Public Utilities, 136 FERC 61, 051 (July 21, 2011).
[20] Looking Beyond Transmission, FERC Order 1000 and the Case for Alternative Solutions, Elizabeth Watson and Kenneth Colburn, Public Utilities Fortnightly, April 2013, p. 37, http://www.raponline.org/document/download/id/6533

and implementing NTAs, and the evaluation of their benefits. Industrial CHP/WHR can often be a NTA. Examples of hurricane resiliency attest to the value of this technology. Order 1000 has no practical path for implementation to achieve its goals. Industrial CHP/WHR is an NTA that has an actionable path forward for implementation at least in organized markets, if FERC addresses the competitive barriers concerning interconnection, among others as stated above. IECA requests the Commission to tangibly and timely influence actions under Order No. 1000 concerning "non-transmission alternatives" by requiring the ISO/RTO to recognize the contribution of industrial CHP/WHR to system reliability and avoided costs in its processes and practices, including but not limited to, interconnection study time and costs, right to reserve transmission capacity for native load, term length of the forward capacity market, control requirements, and cost-recovery of services.

G. Assure that NERC Compliance Is Not a Barrier to Industrial CHP/WHR

Further, IECA requests that the NERC Compliance Registry requirements be reconsidered as applied to industrial CHP/WHR. These requirements are meant for bulk power participants characterized as central station power. As applied to industrial CHP/WHR such requirements do not appear proportionate to reliability concerns and appear excessive thereby discouraging industrial CHP/WHR interconnection.

H. Summary of Petition Issues

Simply stated, some of the SGIA/P and LGIA/P Petition issues to address include, but may not be limited to:

- What has been the effect of FERC Order No. 688 and Section 210(m) of EPACT 2005 on CHP interconnection? Does the burden on CHP generators to prove discrimination under the Open Access Transmission Tariff (OATT) undermine access under the same terms and conditions as utility users? How does utility right to reserve transmission capacity for native load affect CHP generator access?
- Are "deliverability" requirements on industrial CHP facilities in organized markets reasonable and necessary?
- How can interconnection study time and costs be reduced for industrial CHP facilities?

- How can organized markets structure and conduct bidding processes to accommodate greater participation of CHP facility production processes?
- How can financial barriers to greater CHP facility participation be removed by restructuring forward capacity markets to provide longer-term price certainty?
- Do ISO/RTO operating rules concerning "control" unnecessarily discriminate against industrial CHP facilities as compared to utility or merchant facilities?
- Do current practices of transmission, ancillary service and administrative cost recovery on a Gross Load basis unreasonably discriminate against CHP generators?
- How can ISO/RTO processes and practices provide financial incentive to industrial CHP/WHR deployment for increased system reliability and avoided cost contributions as intended for "non-transmission alternatives" under Order No. 1000?
- What North American Electricity Reliability Corporation (NERC) Compliance Registry requirements are necessary for interconnected industrial CHP/WHR?

IV. IECA Requests that Interconnection Issues be Addressed by FERC to Provide Information and Guidance to States.

In markets regulated by states, interconnection requirements also pose barriers to manufacturer CHP/WHR, but here standardization through high-level guidance may address the issue. IECA requests that the FERC as part of the request above, provide information concerning consequences of barriers and guidance for identification and removal of barriers to manufacturer CHP/WHR.

For years, guidelines concerning standby, back-up and maintenance power provided under PURPA, have successfully encouraged economic deployment of smaller CHP Qualified Facilities. Larger non-QFs have not had the benefit of such guidelines. Standby back-up and maintenance guidelines should be expanded to larger non-QFs. Some states have enacted discriminatory "exit fees" and "life-of-contract demand ratchets." States have also enacted various Renewable Portfolio Standards (RPS) and Energy Efficiency Resource Standards (EERS) that discriminate against manufacturer energy efficiency (EE)/CHP/WHR. Guidance should be provided to states to consider unintended consequences and costs and benefits of

discrimination against manufacturer EE/demand response (DR)/CHP/WHR, in any RPS/EERS, exit fees, life-of-contract demand ratchets, and other discriminatory practices.[21]

A. Standardize Interconnection Procedures for Distribution Wires.

Different state requirements are numerous and unnecessarily complicated causing increased cost and process delay.

FERC should study and develop relevant "guidance" on procedures, studies, and associated fees that states should consider for adoption as new rules.

B. Prohibit Discriminatory Pricing Treatment of "Behind the Meter" CHP/WHR.

"Behind the meter" generation refers to electricity generated onsite at a facility that is not sold to a RTO or ISO or to another wholesale entity. The RTOs and ISOs have attempted to charge customers who supply their own needs with behind-the-meter generation as if they had taken their entire power supply from the RTO/ISO controlled grid. The attempted charges are for transmission, ancillary services and administrative fees based upon the total electrical consumption of a manufacturing facility, rather than the "net" amount actually taken from the grid. This cost allocation scheme is known as "gross load" pricing. CHP/WHR projects should not be required to pay for services on a gross load basis, but on the net actually taken off grid.

FERC should review and prohibit gross load pricing for CHP/WHR generated electricity on site and not sold to grid or to others and provide guidance to states to do the same.

C. Adopt Firm Standby, Back-up, and Maintenance Power Fee Guidelines for Non-QF CHP/WHR Facilities that Incent CHP/WHR Investment.

Guidelines are provided under PURPA for the design of just and reasonable utility rates for standby, back-up and maintenance power needed for CHP QF facilities. However, some public

[21] http://www.tandfonline.com/eprint/gurpUGCJdnjCtP398tFa/full

utility commissions approved high rates that are barriers for non-QF investment. States should expand QF standby, back-up and maintenance power rules to non-QF facilities. [22]

FERC should develop guidance for standard state rules for standby, back-up and maintenance power fees that fairly represent the cost of providing those services.

D. Prohibit "Exit Fees."

Some states impose exit fees on industrial customers who seek to serve their power requirements from CHP/WHR facilities owned by entities other than themselves (third-party CHP/WHR). The utilities argued that recovering the stranded costs through an exit fee on those who obtain power from such CHP is justified since it protects those customers who remain on the system. Many third-party CHP facilities have not been built because the threat of an exit fee.

FERC should develop "guidance" for States to encourage utilities to remove discriminatory tariff provisions such as exit fees applied to industrial CHP/WHR facilities,

E. Remove Discriminatory "Life of Contract Demand Ratchets."

Some utilities have life of contract demand ratchets in their tariffs for large industrial customers. These serve as a deterrent to increased installation of CHP/WHR since the industrial customer must pay for up to 75% of the demand listed in its contract (for the life of the contract) regardless of whether it takes the power or not. Such laws protect the utility's exclusive franchise, prolongs inefficiency in the generation of power, and discriminates against globally competitive manufacturing. FERC should discourage states from supporting practices, tariffs and statutes such as demand ratchets that are barriers to industrial CHP/WHR.

FERC should study and develop "guidance" for States to encourage utilities to remove discriminatory tariff provisions, such as "life of contract demand ratchets" for industrial CHP/WHR facilities,

[22] For model standby rates see: http://www.epa.gov/chp/documents/standby_rates.pdf.

F. Allow Full Participation of Industrial EE/CHP/WHR in Renewable Portfolio Standards (RPS) and Energy Efficiency Resources Standards (EERS).

To the extent that states have an RPS that has an "energy efficiency" component – states should be encouraged to allow CHP/WHR, and industrial EE to participate. Any environmental regulation/legislation should provide extra renewable energy credits (RECs) for electricity generated through CHP, regardless of generation by means of combustion, or the size of the facility. The Energy Efficiency Resources Standard (EERS) portion of any proposal whether it is included in a renewable standard or on a stand-alone basis should allow all of the output of CHP facilities to qualify for energy savings regardless of the amount of the net wholesale sales of electricity generated by the facility. A facility should not be disqualified as a "CHP system" no matter how much electricity it sells, and all its electricity should be eligible for the CHP savings calculation. [23]

FERC should study and issue guidance to states to consider costs and benefits of full participation of manufacturer EE/DR/CHP/WHR in any RPS/EERS.

G. Remove CHP/WHR Facility Barriers to Sales of Electricity or Steam and Crossing Public Right of Way.

Some states do not allow a manufacturer or third-party CHP/WHR facility to provide electrical or thermal services by crossing streets and public right of ways. Manufacturer and third-party owned facilities may not be allowed to sell electricity and/or steam to affiliated and unaffiliated adjacent facilities whether or not streets or public right of ways must be crossed. Manufacturer and third-party owners of CHP/WHR generally do not have powers of eminent domain for electric service and thermal pipelines, whether served facilities are adjacent, nonadjacent, affiliated or unaffiliated.

FERC should study and provide guidance on the economic, energy, and environmental consequences of failure to allow manufacturer or third-party CHP/WHR facilities to provide electrical or thermal services or both by crossing streets and public right of ways. States should

[23] http://www.epa.gov/chp/documents/ps_paper.pdf

consider grants of limited powers of eminent domain for owners or operators of CHP/WHR facilities to provide electricity and thermal services.

H. Assure that Integrated Resource Planning (IRP) includes Assessment of Industrial CHP/WHR Opportunities.

States have opportunity to achieve avoided energy costs and environmental improvements with development of industrial CHP/WHR, but the utility business model is challenged by such displacement of its own generation, or potential generation. IRP processes can also be a barrier to deployment of industrial CHP/WHR. FERC could explore opportunities to assure that IRP consideration of industrial CHP/WHR occurs under its own jurisdictional planning processes (e.g., Order 1000) as well as in guidance to states.

V. CONCLUSION

IECA members highly value deployment of CHP/WHR to lower costs, meet environmental requirements, and ultimately to compete globally. Interconnection whether for small or large CHP/WHR facilities has been frustrated by procedures followed in organized markets. The proposed revisions for SGIA/P are welcome improvements that should address some of the IECA interconnection concerns. However, additional action is requested concerning a) interconnection information gathering and assessment; b) SGIA/P and LGIA/P revision to identify and remove interconnection barriers for small and large industrial CHP/WHR facilities; and c) information and guidance to states on interconnection barriers to industrial CHP/WHR.

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Respectfully Submitted,

Paul N. Cicio
President
Industrial Energy Consumers of America
1155 15th Street, NW, Suite 500
Washington, DC 20005
pcicio@ieca-us.org

Lynn Schloesser
Executive Director
Manufacturers for Energy Efficiency Coalition
Industrial Energy Consumers of America
1155 15th Street, NW, Suite 500
Washington, DC 20005
lschloesser@ieca-us.org