

Details of FERC Decisions in Champion and NEPOOL Cases

FERC Decision

Champion

With respect to Champion's specific issues, FERC stated that Champion's queue position should, as requested, be determined by their original request for interconnection. FERC agreed with Champion that it was reasonable to assume, based on the fact that it wanted to interconnect with the pool grid facilities, that it must file its application with ISO-New England. FERC noted that Champion may have needed to consult with Central Maine (the local PTO) on the impact of the interconnection.

FERC also agreed with Champion that NEPOOL's SIS procedures were based on unrealistic assumptions. FERC agreed that the assumptions that all prospective generation will serve new load and that all projects in the queue will in fact be constructed are unrealistic. FERC also took exception to the requirement that all new generators be "fully integrated" with load as a necessary condition. FERC stated that NEPOOL's SIS procedures are based on unrealistic assumptions and produce unreliable cost estimates. As a result, FERC stated that Champion and others should be permitted to interconnect without regard to the expansion costs estimates resulting from the existing SIS criteria. Once NEPOOL's criteria are revised, FERC stated that Champion will be responsible for whatever upgrade costs result. In the interim, FERC stated that Champion can use economic redispatch in lieu of paying upgrade costs.

NEPOOL

Consistent with its findings in the Champion order, FERC ruled that NEPOOL's evaluation criteria are unrealistic and unreasonable. FERC stated that if transmission expansion were based on these unrealistic criteria, the transmission system would be significantly oversized. FERC specifically rejected the assumption that each new generator must have an exclusive firm path to reach every load in NEPOOL. Prior to implementation of NEPOOL's congestion management proposal (due by March 31, 1999), new generators will be subject to the existing congestion management arrangement where congestion costs are apportioned among all loads. Consistent with its ruling in the Champion case, FERC also stated that ISO-New England should administer a single application process. FERC declined to rule on the queuing process issues until NEPOOL makes its December filing.

With respect to certain pricing policy issues, FERC recognized that the full roll-in of expansion costs encourages new generator interconnections by reducing the cost of entry. Alternatively, FERC recognized that the direct assignment of upgrades provides a strong incentive for the siting of new generators so as to reduce the need for transmission upgrades. FERC stated that while it may be appropriate for generators to pay a portion of upgrade costs, generators should have the option of paying redispatch costs in lieu of expansion costs. FERC ultimately deferred ruling on this issue because of the need for NEPOOL's congestion management proposal to dovetail with its expansion costs policy.

Potential Ramifications

While there are obvious differences between the NEPOOL proposal and both the ACCM and NGTR proposal (i.e., NEPOOL did not have a congestion management system in place), there are two salient points that FERC makes that have relevance here.

1. FERC is clear that new generators interconnecting to the grid should be able to process their requests for interconnection through one entity (i.e., one-stop shopping). While this is not necessarily relevant to the proposals before the Board here, it is important to note and reinforces the notion that the ISO, not the TOs, should oversee the interconnection process to the ISO Controlled Grid.
2. FERC also ruled that NEPOOL's requirement that all new generators must have a firm path (full integration requirement) to all load in New England to be without merit. NEPOOL's full-integration requirement is much more onerous than the mitigation required under the ACCM proposal, which requires new generators to mitigate only new local congestion above a certain threshold level. FERC also required that until NEPOOL's congestion management system is in place, new generators should be treated no differently than existing generators. It is important to note that one generation owner/developer in New England (Florida Power & Light Company, who agreed to purchase Central Maine Power's generating assets) unsuccessfully attempted to revisit its purchase, claiming that it assumed that the existing generating units it purchased had grandfathered transmission rights for use of the NEPOOL grid.