

Additional Comments of Caithness and NAEA
Related to this Agenda Item

What is the Installed Reserve Margin?

It is a numerical calculation that divides the Installed Capacity Requirement (ICR) by the forecasted peak load. Because of the unique handling of HQICC's in the New England calculation the ICR must be adjusted downward to make the calculation equivalent to that used in other ISO's/RTO's

So in New England for the Summer of 2011 the calculation is as follows:

$$\begin{aligned} & \text{(ICR-HQICC)/Forecasted Peak Load} \\ & (33439-911)/29405 = 110.6\% \\ & \text{A margin of 10.6\%} \end{aligned}$$

How do these margins compare with our neighbors?

NY = 15% (2008)
PJM = 15.5% (2010)
Ontario = 16%
Maritimes = 20%
HQ = 10%

And in other regions of the country?

Florida = 15%
Midwest = 15-16%
California = 15%

And in the wild west of SPP and Texas?

12-12.5%

Thus, New England has the LOWEST required reserve margin in the entire US. And in 2011 Capacity not purchased has NO OBLIGATION!!!

**Redline to Version 3.4 Distributed the RC on June 23, 2008, as further revised at the July 29, 2008 RC Meeting:
For Consideration and Action by RC Meeting at July 28~~9~~, 2008-RC Meeting**

**PSEG SINGLE QUEUE REFORM PROPOSAL (sections 5 and 7)
(CHANGES HIGHLIGHTED IN YELLOW)**

DRAFT

**Forward Capacity Market
Generator Interconnection Process Stakeholder Group
Conditional Qualified Capacity Resources & Interconnection Process
Issues
Term Sheet - Version 3.4
July, 2008**

1) Overview

The current Forward Capacity Market ("FCM") rules state at Section III.13.1.1.2.3(f):

Where, as a result of the initial interconnection analysis, the ISO determines that because of overlapping interconnection impacts, New Generating Capacity Resources that are otherwise accepted for participation in the Forward Capacity Auction ("FCA") cannot provide the full amount of capacity that they each would otherwise be able to provide, those New Generating Capacity Resources will be accepted for participation in the Forward Capacity Auction on the basis of their Queue Position, as described in Schedules 22 and 23 of Section II of the Transmission, Markets and Services Tariff (the Large/Small Generator Interconnection Procedures or L/SGIP), with priority given to resources that entered the queue earlier.¹

This term sheet describes potential changes to the Interconnection Procedures and FCM participation rules for generating resources within the ISO New England

¹ The analysis of overlapping interconnection impacts under FCM is intended to determine if proposed New Generating Capacity provides incremental capacity to the system. This means that proposed New Generating Capacity will be qualified at the level at which it can operate without re-dispatch of other capacity resources. The details of the overlapping impact test are contained in ISO New England Planning Procedure No. 10 ("PP10").

Control Area. Some proposed changes to the Interconnection Procedures are described in the following Sections:

- Section 2 – Changes to the Large Generator Interconnection Procedure (“LGIP”) Interconnection Queue Processes – Milestone/Financial Requirements
- Section 3 - Changes to the L/SGIP Interconnection Queue Processes – Capacity & Energy Interconnections
- Section 4 - Changes to the L/SGIP Interconnection Queue Processes – Optional Studies

In the following Sections, three areas of proposed changes to FCM participation rules are discussed:

- Section 5 – FCM Qualification
- Section 6 – Forward Capacity Auction Mechanics
- Section 7 – Long Lead Resources

2) Changes to the Large Generator Interconnection Procedure Interconnection Queue Processes – Milestone/Financial Requirements²

The following changes to the LGIP process are intended to increase the likelihood that generating projects that are maintaining queue positions and consuming study effort are viable projects with a demonstrated ability and willingness to proceed to completion.³

	Current Schedule 22 Requirements	Proposed Schedule 22 Requirements
Interconnection Request (“IR”)	<ul style="list-style-type: none"> • \$10,000 refundable deposit due with IR <ul style="list-style-type: none"> o Balance applicable to Feasibility Study or System Impact Study 	<ul style="list-style-type: none"> • A completed IR, requesting a Capacity Interconnection, is required by the Show of Interest deadline for those resources seeking to be considered in the qualification analysis for the given FCA

² The changes listed in this section of the term sheet are proposed to apply only to the LGIP (Schedule 22 of the Tariff). Changes to the Milestone/Financial requirements are not proposed for the Small Generator Interconnection Procedures (SGIP) which applies to generators smaller than 20MW.

³ Similar approaches are being considered by others such as the California ISO, PJM and the Midwest ISO.

	deposit	<ul style="list-style-type: none"> • \$50,000 refundable study deposit due with IR <ul style="list-style-type: none"> ○ Unspent portions of this deposit are refundable if the project withdraws within 10 business days of the Scoping Meeting or if an Interconnection Agreements is executed for the Interconnection Request ○ Balance applicable to Feasibility Study or System Impact Study deposit
Interconnection Request	<ul style="list-style-type: none"> • Additional \$10,000 refundable deposit or demonstration of Site Control within a cure period 	<ul style="list-style-type: none"> • Site Control required with a Capacity IR
Feasibility Study Agreement	<ul style="list-style-type: none"> • Additional deposit of the greater-of \$10,000 or estimated monthly study cost due with Feasibility Study Agreement 	<ul style="list-style-type: none"> • Deposit of 100% of estimated study cost balance due with Feasibility Study Agreement.⁴ Upon completion or termination of the Feasibility Study, funds remaining beyond the initial \$50,000 deposit (above) are refundable or may be applied to the System Impact Study Agreement Deposit.
System Impact Study Agreement (SISA)	<ul style="list-style-type: none"> • Deposit of the lower-of estimated study cost, or, \$50,000 	<p>Developer to elect one of the following three choices to be made available under the Tariff:</p> <ol style="list-style-type: none"> 1 Greater of 100% of study costs or \$250,000 refundable⁵ study deposit due with SISA

⁴ The standard scope of the Feasibility Study will be refined such that it may be less comprehensive and provide earlier indication of major interconnection issues and difficulties, including a review of overlapping interconnection impacts. The proposed refined scope will be described in the revisions to the ISO's Open Access Transmission Tariff ("ISO OATT").

⁵ Refundable deposits are refundable net of study, engineering and administrative costs incurred, including Transmission Owner study, engineering and administrative costs as applicable.

		<p>OR</p> <p>2 Refundable deposit of the lower-of estimated study cost, or, \$50,000, AND, copies of major permit applications (including state siting for generator, generator lead, fuel lateral and air/water permit if applicable)</p> <p>OR</p> <p>3 Refundable deposit of the lower-of estimated study cost, or, \$50,000, AND, demonstration of "at-risk"⁶ project expenditures in at least the amount of increased deposit requirement described in choice 1 above</p>
Facilities Study Agreement	<ul style="list-style-type: none"> • Deposit of the greater-of \$100,000 or estimated monthly study cost due with Facility Study Agreement 	<p>Developer to elect one of the following three choices to be made available under the Tariff:</p> <p>1. Deposit of the greater-of 25% of study costs or \$250,000 refundable study deposit due with Facilities Study Agreement</p> <p>OR</p> <p>2. Refundable deposit of the greater-of \$100,000 or estimated monthly study cost due with Facility Study Agreement, AND, copies of major permit applications (including state siting for</p>

⁶ At-risk project expenditures are those project expenditures that may not be recouped if the project is terminated and would include expenditures to obtain permits for the specific site, lease payments, non-refundable deposits toward the purchase price of the land, site-specific design, surveys, non-refundable equipment deposits, and actual construction costs. Examples of project expenditures that may be recouped if the project is terminated-and that would not be counted as "at-risk" investments-include payments to purchase the land (which may be recovered if the land is sold), any recoverable deposits for equipment, and generic designs that may be reused.

		<p>generator, generator lead, fuel lateral and air/water permit if applicable)</p> <p>OR</p> <p>3. Refundable deposit of the greater-of \$100,000 or estimated monthly study cost due with Facility Study Agreement,</p> <p>AND,</p> <p>demonstration of "at-risk" project expenditures in at least the amount of increased deposit requirement described in choice 1 above</p>
<p>Facilities Study Bypassed (Expedited Interconnection Agreement)</p>		<ul style="list-style-type: none"> • Refundable deposit of 100% of estimated costs of Engineering studies that would have been performed within the Facilities Study (if Facilities Study bypassed – i.e. expedited interconnection)
<p>Interconnection Agreement</p>	<ul style="list-style-type: none"> • Commit to upgrade expenditure schedule 	<p>Developer to elect one of the following two choices to be made available under the Tariff:</p> <p>1. Commit to upgrade expenditure schedule AND Provide copies of major permit approvals (including state siting for generator, generator lead, fuel lateral and air/water permit if applicable)</p> <p>OR</p> <p>2. Refundable deposit of 20% of the Interconnecting TO and Generator Interconnection Related Upgrades as estimated in the Facilities Study, due at IA execution</p> <ul style="list-style-type: none"> o If TO expenditure schedule calls for an initial payment of greater than 20% of the total upgrade costs, then payment of the scheduled initial payment o Commit to remaining

		<p>upgrade expenditure schedule</p> <ul style="list-style-type: none"> o Include milestones for the completion of major permit approvals (including state siting for generator, generator lead, fuel lateral and air/water permit if applicable) in the Interconnection Agreement o Include milestones to align Interconnection Agreement with fulfillment of terms outlined in the Forward Capacity Market, including potential termination of IA if capacity obligation not satisfied in accordance with MR1 FCM criteria
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3) Changes to the L/SGIP Interconnection Queue Processes – Capacity & Energy Interconnections

- a) The same overlapping transmission deliverability standard used in the FCM will be incorporated into the L/SGIP in the ISO OATT, meeting FERC’s requirement to adopt an intra-zonal deliverability standard in the L/SGIP. An “Energy Only” interconnection option would be allowed for those resources that choose not to elect to become capacity resources. The current Minimum Interconnection Standard (“MIS”)⁷ and associated Schedule 22 and 23 provisions will be applied to “Energy Only” resources.
- b) Generators would identify which interconnection type is being pursued. During the interconnection process or at a future date, a generator may change from a Capacity Interconnection to an Energy Interconnection without a need for a New Interconnection Request and a corresponding new Queue Position. The IR for a Capacity Interconnection would need to specify both the requested

⁷ Note that the terminology currently used today in the ISO OATT may change during the implementation of the concepts addressed in this term sheet. For example, the MIS may be renamed as “Energy Resource Interconnection Standard.” This serves to provide consistency in the use of new terminology throughout the ISO OATT.

Qualified Capacity (*i.e.*; the amount that will be available for capacity sales) and the amounts available for energy sales (*i.e.*; the ambient temp-based capacities that are on the current IR). However, changing the requested interconnection service from Energy Interconnection to Capacity Interconnection would require a new Interconnection Request and thereby a new Queue Position. Such a change to the IR will be considered an automatic Material Modification. Resources that are meeting the procedural requirements to obtain a Capacity Interconnection may operate as "Energy Only" until such time as the requirements of the Capacity Interconnection are complete, without the need for a new queue position.

- i) [Transition and grandfathering provisions will be incorporated into the L/SGIP. To facilitate transition, Aa](#) one-time opportunity (with a deadline and -other implementation details to be specified in the OATT revisions) will be provided for resources currently in the Interconnection Queue to elect to be considered for Capacity Treatment ([i.e., interconnection under the overlapping impact test](#)) at their current Queue Positions. At this time, it is not anticipated that any studies already performed under the L/SGIP pursuant to the MIS will need to be restudied or modified as a result of this change. As is the case under the current OATT, restudy may be required when earlier queued resources withdraw from the queue. [Existing Queue Positions will be preserved for purposes of the initial selection of Capacity Interconnection or Energy Only. Subsequent changes of interconnection service, as noted above, would result in a new Interconnection Request and loss of Queue Position.](#)
- ii) No changes are proposed to the FCM Settlement Agreement provisions and subsequent Market Rules regarding the establishment of certain resources as Existing Generating Capacity Resources (by virtue of their Commercial Operation date or election in the first Forward Capacity Auction ("FCA")).

4) Changes to the L/SGIP Interconnection Queue Processes – Optional Studies

- a) Currently, the L/SGIP allow for Generators to request an optional study following the completion of the System Impact Study. The process will be modified such that the optional study may be requested earlier. Further, under an optional study, a developer will be able to specify which earlier queued generation to model in the feasibility study and/or the system impact study. This would allow the generator to attempt to anticipate the eventual outcome of the overlapping impact analysis.
- b) In addition to anticipating the eventual outcome of the overlapping impact analysis, the generator could study and interconnect with a subordinate Energy Interconnection status to earlier queued units without completing upgrades

needed if both it and an earlier queued resource are interconnected. If the earlier queued units are also interconnected later, then the later queued project would be limited in operation until any needed Energy Interconnection upgrades are completed. If the earlier queued unit withdraws from the queue, then the developer's subordinate status is eliminated.

5) FCM Qualification

For each FCA Capacity Commitment Period year overlapping impact analysis would be limited to the "group" of resources that are otherwise qualified for each FCA. Only resources intending to participate in the FCA for the specific Capacity Commitment Period would be able and required to be studied for overlapping impacts as part of the "group." ~~Long lead resources would be included in the group study as described in the long lead section below.~~ Studies would assess the resources collectively and individually, thereby providing the necessary support for the conditional treatment of generating capacity resources with overlapping impacts at the same location. Overlapping impacts would continue to be determined sequentially, based on Queue position. ~~The requirement to be in the interconnection queue as a condition of participation in the FCM means that overlapping impact analysis may already be complete for the given interconnection queue position.~~

Earlier queued resources that meet the overlapping impact standard will be defined as the "Primary Resource" within the FCA. The current Queue Position process will remain as the foundation on which the qualification of Conditional Qualified Capacity Resources, as defined below, is to take place.

New generating capacity resources with overlapping transmission impacts at a specific location in competition with the Primary Resource for interconnection space may competitively participate in the FCA. The later interconnection queue resource(s) at the same location would be allowed to conditionally qualify for the FCA along with the primary resource. These resources will be defined as the "Conditional Resource(s)" within the FCA.

Information Provision. In the Qualification Determination Notification, or in the Feasibility Study/System Impact Study, Resources that overlap with earlier queued resources will be informed of the Queue Position number of those earlier queued resources. A primary resource will be informed of the Queue Position of any Conditional Resources relevant to that Primary Resource.

~~Any resource that clears in the FCA becomes an Existing Resource for subsequent FCAs and, with the exception of cases involving earlier queued long lead time resources clearing in a later FCA as described in Section 7 below, will not have additional overlapping impact upgrade responsibilities beyond those associated with the FCA in which the resource cleared.~~

Interconnection cost responsibility (including costs to address overlapping impacts) is determined by queue position only and is independent of clearing in an FCA. Later queued resources may clear in the FCA and interconnect with "subordinate status" to earlier queued resources. This is identical to how we have allowed subordinate I.3.9 approvals under the minimum interconnection standards.

Resources that must build upgrades if an earlier queue position resource becomes a capacity supplier and may elect to not build those upgrades immediately but wait until the need is clear. If the resource fails to complete the upgrades prior to the earlier-queued resource coming on-line, their resource will lose its capacity status and applicable Financial Assurance (or portion thereof) and the owner must cover through one or more bilateral transactions or reconfiguration auctions until the upgrades are complete. Resources will be allowed to cover for the years they are already committed for (in earlier FCAs) but not be allowed to participate in future FCAs until the ISO determines that the upgrades will be complete consistent with the FCA qualification timeline.

The later queued resources may not be able to meet their obligation in later Commitment Periods if an earlier queued resource clears in a later FCA and the needed upgrades are not in place but the later resource will have at least 3 years notice of the need.

6) Forward Capacity Auction Mechanics

a) Auction Mechanics

- i) As long as the Primary Resource remains in the FCA, it may clear the auction. A Primary Resource that withdraws could be replaced by the Conditional Resource(s) later in the transmission queue, provided the Conditional Resource(s) has not withdrawn at an earlier price.
- ii) Since both/all resources may participate in the FCA a constraint needs to be added to the clearing algorithm recognizing that at most only one of the resources can be accepted. That decision will be made based on economics, where the accepted resource results in a lower total cost than the alternative resource regardless of generator interconnection queue priority.
- iii) In either case, it would not be possible for a mutually exclusive generating capacity resource to "block" another resource simply by having a higher transmission Queue Position. In other words, the higher queued resource must also clear in the FCA in order to "block" a lower queued resource. This

- feature limits the magnitude of the advantage offered by the higher transmission Queue Position to a Primary Resource.
- iv) Conditional Resource(s) would not be informed of the exit of the Primary Resource because it reveals the Primary Resource's price.

Efforts to study and consider options that would permit interconnection priorities to be decided on a market basis rather than based on the earlier submission of an interconnection application will continue to be pursued. In order to assess the impact of the proposed modifications and the need for additional changes the following information will be included in filings to the FERC, as appropriate, pursuant to Section III.13.8.2. (Filing of Forward Capacity Auction Results and Challenges Thereto):

- Identification of each Primary and each Conditional Resource that qualified for the FCA and the MW of capacity offered by each, including indication if resources were partially qualified;
- Each Primary Resource that was and was not selected in the FCA;
- Each Conditional Resource that was and was not selected in the FCA;
- Each long-lead time resource that secured an interconnection position in the FCA; and
- Each lower queued resource that was selected in the FCA subject to the higher priority of a long-lead time resource.

7) Long Lead Time Capacity Resources

Power plants with development life cycles that are longer than the time between the Show of Interest Window Closing for an FCA and the beginning of the related Capacity Commitment Period will be allowed advance opportunity to study and "secure" transmission plans/obligations sufficient for FCM participation through the LGIP process.⁸

Any resource with less than 100MW of requested Qualified Summer Capacity must provide a justification to the ISO in order to be eligible to elect Long Lead Capacity treatment.

Resources can elect Long Lead Capacity Treatment at the time of the Interconnection Request if the next Show of Interest deadline is for an FCA with a Capacity Commitment Period beginning before the Commercial Operation Date of the project.

⁸ Under current LGIP rules, the initially requested Commercial Operation Date may not exceed seven years from the date of the IR, unless the developer can demonstrate an engineering justification for a longer lead-time.

Resources not already pursuing Long Lead Capacity Treatment can elect Long Lead Capacity Treatment at any time after the initial Interconnection Request. Such election would mean that the resource would not be eligible to participate in the FCA associated with the next available FCA Show of Interest window. Such resources would not participate in any FCA before the FCA associated with the (newly) declared commercial operation date. Long lead facilities would not be represented as such in the FCA qualification process that is underway at the time of the election of Long lead facility treatment.

The long lead facility would be modeled in "near term" FCA overlapping impact analysis and adhere to the FCM qualification requirements (*i.e.*, interconnection deposits and quarterly Critical Path Schedule ("CPS") milestone submittals), thereby securing its overlapping interconnection space until an FCA occurs in which the facility elects to clear and obtain an obligation. Specifically:

- The resource will initially present a CPS in the same format as a resource seeking qualification for an FCA
 - The initial CPS would describe a project schedule that would not be completed in time for the beginning of the Capacity Commitment Period associated with the next FCA Show of Interest window after the time of the request for Long Lead treatment
 - Such resources would not participate in any FCA before the FCA applicable to the declared commercial operation date
 - Resources with less than 100MW Summer Qualified Capacity would attach a written commentary, to be reviewed and approved by the ISO, detailing the justification why the project schedule could not be completed in the time between the next Show of Interest window and the beginning of the Capacity Commitment Period
 - The resource will provide updates to the CPS in advance of being considered in each FCA's group study for overlapping impact analysis
- Until the resource clears in an FCA, the resource will provide (incremental and cumulative) interconnection deposits in the amount of $0.25 * CONE * [Requested Summer Capacity]$ at the time of the request for Long Lead treatment and by each deadline for which New Qualified Resources are providing \$2/kW Financial Assurance (FA) in advance of participating in an FCA. At the time of each such provision, this incremental calculation would use the latest calculation of the CONE price. The total amount collected from the long lead facility will not exceed the full amount of FA that would be collected if the resource were to

clear in an FCA:

- Any such interconnection deposit would be refunded once the resource clears an FCA. The resource will then provide FA in association with its FCA obligation under the terms and conditions of the FCM.
- Any such interconnection deposit would be refunded if the resource withdraws from the interconnection queue within 30 days of the Scoping Meeting or within 30 days of the completion of the System Impact Study (including any restudy of the System Impact Study—restudy may be required, for example, if an earlier queued long lead resource withdraws from the queue)
- Portions of previously provided interconnection deposits become non-refundable for failure to qualify for or clear in FCAs as follows:
 - 10% of previously provided interconnection deposits become non-refundable if the capacity fails to qualify for or qualifies and fails to and clear in the second FCA associated with the originally submitted Long Lead CPS.
 - An additional 5% of previously provided interconnection deposits become non-refundable if the capacity fails to either qualify for or qualifies and fails to and clear in the third FCA associated with the originally submitted Long Lead CPS. For each subsequent FCA, an additional 5% of previously provided interconnection deposits become non-refundable if the capacity fails to qualify for or qualifies and fails to clear in that FCA, not to exceed the maximum period allowed under the currently FERC approved interconnection L/SGIP⁹.
 - An additional 5% of previously provided interconnection deposits become non-refundable if the capacity fails to either qualify for or qualifies and fails to and clear in the fourth FCA associated with the originally submitted Long lead CPS
 - These non-refundable deposits are forfeited if the resource fails to clear in any FCA and/or withdraws from the interconnection queue. Forfeited interconnection deposits will be paid to load serving entities based on their Capacity Obligation share (consistent with the current Financial Assurance Policy in the case of forfeited FCM Financial Assurance).

⁹ Tarriff Section

After the System Impact Study for the ~~long lead-earlier queued resource~~ is complete, later queued resources seeking to qualify for “near-term” FCAs will be analyzed using a model that includes the ~~long lead-earlier queued~~ resource and its upgrades. Later queued resources will be responsible for upgrades that are incremental to the upgrades of the ~~long lead-earlier queued~~ resource. However, later queued resources may be responsible for the advancement of upgrades needed in earlier Capacity Commitment Periods should that later queued resource clear in the “near-term” FCA. ~~This is identical to how Single Queue Reform Proposal works.~~

In addition to the increased Schedule 22 requirements described in Section 2 above, ~~long lead-earlier queued~~ resources shall be required to meet obligations consistent with the Interconnection Agreement. ~~begin immediate payment, as follows, such that transmission construction of any needed upgrades may proceed to minimize uncertainty for other projects;~~

- ~~Binding Financial Commitments, as required by the transmission expenditure schedule, for the transmission upgrade costs that have been identified in the interconnection studies for the project~~
 - ~~Some expenditures may be required before the resource clears in an FCA~~
 - ~~If the long lead resource participates in an FCA but does not clear and subsequently elects to participate no further, then:~~
 - ~~The resource will be withdrawn from the Interconnection Queue~~
 - ~~Unspent portions of the commitments for transmission upgrades will be returned~~
 - ~~Unspent portions of refundable interconnection study deposits will be returned~~
 - If the resource achieves commercial operation and completes all of the required transmission upgrades, then the Resource will be:
 - An unlisted Capacity Resource until it clears in a FCA
 - A New Capacity Resource until it clears in an FCA

If ~~at the long lead time~~ resource ~~in the single queue~~ does not demonstrate compliance with the project development schedule or satisfy the requirements for interconnection deposits or meet the Interconnection Process requirements such as the requirements for transmission upgrade expenditures, it will be removed from the capacity interconnection queue. ~~and will not be entitled to that queue priority. In that event, the later queue position resource that cleared in an earlier FCA will continue as an Existing Capacity Resource for all purposes.~~

FCM
Generation Interconnection Process
Single Queue Reform Proposal

NEPOOL Participants Committee

August 1, 2008

Joel Gordon

PSEG Power Connecticut



Single Queue Reform Proposal

- Both Proposals are identical in areas that deal with improving queue management and ensuring significant investment and development activities are made by those entering the queue.
- Of the Seven Sections of the Term Sheet – Five are Identical:
 - Section 1 – Overview No Difference
 - Section 2 - LGIP Costs & Milestones No Difference
 - Section 3 - Types of Interconnections No Difference
 - Section 4 – Optional Studies No Difference
 - Section 6 – FCM Auction Mechanics No Difference

Section 5 – FCM Qualification

The Single Queue Reform Proposal is the Foundation upon which the ISO Proposal is Built.

- Both Proposals study overlapping impacts as a “group.”
 - Single Queue Reform Proposal incorporates overlapping impacts as part of the interconnection study itself – not a separate process → more information on potential impacts = more competition
- Both Proposals incorporate the “conditional” and “primary” concept.
 - More units allowed in the auction = more competition.
- Single Queue Reform Proposal provides certainty to ALL resources of cost of upgrades
 - Cost certainty regardless of when they clear in an auction → better information = more competition.
- Later queued projects that clear in the FCM responsible for upgrades if earlier queued projects clear in a later auction.
 - Failure to build would result in loss of qualified capacity for that unit.

Section 7 – Long Lead Time Vs. Single Queue

The Long Lead Time provisions are based upon the Single Queue Proposal, but add unnecessary costs and uncertainties:

–Units “will be allowed advance opportunity to study and ‘secure’ transmission plans/obligations sufficient for FCM participation through the LGIP process.”

- Long Lead Time proposal provides this opportunity to a subset of capacity resources in the queue.
- Single Queue Proposal does not discriminate among resources.

–Long Lead Time Proposal adds significant risks and costs on development process:

- Limits participation in auctions-
 - Restricts when a resource can participate.
- Increases costs of development and participation.
 - Ignores market conditions and need for new capacity.

–Mechanics of Implementing Long Lead Time are similar to the single queue.

- Just more complicated for the participants.

Single Queue Problems Solved

- Property Rights are fixed
 - Developers assume the risk that a resource with a better Queue position will be built
 - They can never be “jumped’ in the Queue
 - Particularly valuable for long lead-time resources
 - Resources with worse Queue positions may benefit from upgrades built by resources earlier in the Queue
- FCM and Interconnection studies will be synchronized
 - Developers can use their Interconnection studies to analyze their qualification as a capacity resource.
 - No need to restudy the capacity interconnection after each and every auction.

EMI'S GRANDFATHERING AMENDMENT TO FCM INTERCONNECTION TERM SHEET

PROPOSAL

EMI proposes to add the following provision as 3(b)(iii):

Grandfathering. With respect to generation projects that have executed an Interconnection Agreement under the currently effective rules prior to the date hereof, no changes are proposed that would adversely affect such project as to its interconnection status, queue position or ability to participate in NEPOOL markets in accordance with the Interconnection Agreement or the ISO-NE market rules as now in effect. Grandfathering provision to such effect shall be developed.

RATIONALE

FERC Has Called for Grandfathering. FERC's March 20 Order on Technical Conference (122 FERC 61,252) expressly called for grandfathering consideration in queue reform: "[R]eforms that would affect existing interconnection requests that are in later stages of the process create special circumstances that require consideration" and "whether and how a particular reform should apply to a late-stage request will depend on the specific facts."

The NEPOOL Working Group Called for Grandfathering to be Addressed. The Working Group Statement of Principles (I-15) has stated since January 25 that "The issue of grandfathering should be addressed." The Working Group materials of March 16 also indicate at page 16 that under the California Reform Concept "projects with executed Interconnection Agreements are an input to the Transmission Planning Process."

The Proposal Would Have Little System Impact. The provision would apply to the very limited number of projects that have completed the process under current rules and still intend to go forward. Non-viable projects could be removed by other means, including Section 205 filings.

Contractual Rights and Tariff Provisions Could Otherwise be Affected. Per Section 22 of the OATT, existing Long Term Interconnection Agreements establish contractual interests that could be impacted, including provisions defining queue position, the nature of interconnection service (4.1.1 "Network Interconnection Service allows the Interconnection Customer ... to participate in the New England Markets ... on the same basis as all other existing Network Resources"), modification of rights (30.10), project milestones and termination, and unilateral filing rights under Section 205 and 206 (30.11).

The Proposal is Consistent with Certain Operative FCM Provisions of the OATT. Certain FCM-related provisions of the currently effective OATT similarly make the prior execution of an Interconnection Agreement as a determinative event. See, for example, Section III.1.1.2.3.(a): "No initial interconnection analysis is required for a new Generating Capacity Resource whose total output would not exceed a previously executed Interconnection Agreement...."