BEFORE THE PENNSYLVANIA PUBLIC UTILITY COMMISSION

Advanced Notice of Proposed Rulemaking	:	
Regarding Small Generation Interconnection	:	
Standards and Procedures	:	Docket No. L-00040168

Comments of PJM Interconnection

PJM Interconnection, LLC (PJM) hereby respectfully files its comments in the above-referenced docket pursuant to an order issued by the Pennsylvania Public Utility Commission (Commission) on November 19, 2004, and published in the *Pennsylvania Bulletin* on December 4, 2004.

I. Introduction

PJM appreciates the Commission's support for a uniform regional technical standard for small generation interconnection. PJM is dedicated to developing such standards for small generation interconnection that will streamline the process for small generation units to interconnect. In its Advanced Notice of Proposed Rulemaking Order (Order), the Commission observed that various entities, ranging from the New York Independent System Operator to the New Jersey Board of Public Utilities to the National Association of Regulatory Utility Commissioners to PJM, have developed standards for small generation interconnection. Specifically, the Commission requested that parties comment on: 1) technical requirements and interconnection procedures, including "best practices"; 2) the appropriate generation size for small generation interconnection procedures; and 3) whether there are any issues unique to Pennsylvania that should be considered in developing small generation interconnection procedures.

PJM stresses its strong support for a consistent regional technical standard and PJM is actively participating in the Mid-Atlantic Distributed Resources Initiative, which has, as one of its objectives, promoting uniform technical standards for small generation interconnection throughout the Mid-Atlantic.

II. Update on the PJM Process

In February 2004, PJM formed the Small Generation Interconnection Working Group (SGIWG). Participants in the SGIWG include representatives from gas and electric utilities, state commissions and state agencies, consulting groups, renewable developers, distributed generator developers, engine manufactures, and federal agencies. [1] Through the stakeholder process, technical specifications were standardized, and specific provisions were made for resources of 2 MW or less in order to meet PJM's goals of expedited interconnection for small generators and to conform PJM's technical standards to the Federal Energy Regulatory Commission's expectations as stated in its Notice of Proposed Rulemaking, issued on July 24, 2003. The proposed standard represents industry best practices as recognized in IEEE 1547 requirements. PJM filed the proposed changes to its tariff to implement the recommendation of the SGIWG on January 19th and requested that the changes be effective starting in March. A copy of that filing can be found on the PJM web site at: http://www.pjm.com/documents/downloads/ferc/2005docs/january/20050117-smalgen2-mw-oatt-changes-final.pdf

PJM expects to reconvene the SGIWG in February to begin a similar process to develop a consistent standard for small generation between 2 and 10 megawatts.

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[1] Participants in the SGIWG included: National Electric Manufacturers Association, NJ BPU, UMD, e3energy, PECO Energy, ComEd, PPL, PEPCO, Conectiv, Customized Energy Solutions, Downes Association, Dominion Electric, Ken Small Associates, UGI, PA PUC, PA Office of Consumer Advocate, AMP Ohio, Delaware PUC, Alleghany Power, Tangigil, National Renewable Energy Labs, DEO, The Reinvestment Fund, NJ DEP, Concurrent Technologies, Ohio PUC, Old Dominion Electric Co-op, MESA Environmental, GPU/First Energy, Cummins, PSEG, Constellation, ASCO Equipment, Green Plains Energy, Ingenco, DCO Energy, FERC, University of Maryland Mid-Atlantic Combined Heat and Power Application Center, BG&E, Vision Power, Customized Energy Solutions, AEP, and Allied Utility Network.

III. Response to questions raised by the Commission

In its Advanced Notice of Proposed Rulemaking, the Commission requested comments as to 1) technical requirements and interconnection procedures, including "best practices"; 2) the appropriate generation size for small generation interconnection procedures; and 3) whether there are any issues unique to Pennsylvania that should be considered in developing small generation interconnection procedures.

A. Technical requirements and interconnection procedures, including "best practices"

As noted above, PJM believes that a standardized regional technical standard for small generation interconnection will help to streamline market entry for small generation units. To this end, PJM has filed proposed changes to its Open Access Transmission Tariff (Tariff) with the Federal Energy Regulatory Commission. The proposed changes would standardize the technical requirements for small generation interconnection for units with a rating of 2 MW or less. PJM believes that the appropriate technical standard is the IEEE 1547 Standard and, to that end, has aligned the PJM technical standard with the IEEE 1547 standard. PJM believes that, in the case of small generation interconnection, it is best practice to base the technical standards on those promulgated by IEEE.

PJM also believes that its current interconnection process constitutes a best practice. Under the current Tariff, a small generator seeking interconnection must follow a series of steps with established "milestones" along the way. The process starts with the party seeking the interconnection submitting a completed Feasibility Study Agreement. Unlike a large generator, however, the small generator seeking interconnection is not required to post any deposit at this point. Once the Feasibility Study Agreement is submitted, the project is entered in to the PJM Generation Interconnection Queue and assigned a unique identifier. The next step in the interconnection process is the completion of a System Impact Study. The small generator seeking

interconnection also is not required to post the deposit that would typically be required of a new, large generator. PJM's experience has been that the Feasibility Study and the System Impact Study can be completed concurrently and in less time for a small generator than would be required for a larger generator. After the completion of the Feasibility Study Agreement and the System Impact Study, the final step is the execution of an Interconnection Service Agreement, which must be filed with the Federal Energy Regulatory Commission (FERC). The Interconnection Service Agreement is the same for all generators. It is important to note that while the deposit requirements are waived for small generators, they are still required to pay the actual costs for both the Feasibility Study and the System Impact Study.

PJM believes that its interconnection process for small generation interconnection represents best practices in the industry for a variety of reasons. First, through the milestones identified above, PJM is able to track the development of small generation interconnection, which creates a highly transparent and easy to follow process. Second, Attachment O of the Tariff provides standardized terms and conditions for generation interconnection, which provides developers advanced notice of the rules for interconnection. This reduces any concerns about the terms under which generators can connect to the system and speeds the interconnection process. Third, the PJM process facilitates, rather than complicates, the interconnection for small generators through the elimination of barriers to entry, as evidenced by the waiver of certain deposit requirements. In addition the PJM process provides for expedited treatment of small generation interconnections.

B. The appropriate generation size for small generation interconnection procedures

The Commission also requested comments about the appropriate size for small generation interconnection procedures. Under the Tariff, small generation is defined as units with a capacity of less than 20 MW. This is also consistent with the approach of the FERC as to what constitutes

small generation units. PJM has already developed a technical standard for generators that are less than 2 MW and is in the process of developing a technical standard for units between 2 and 10 MW. PJM believes that any definition of small generation should be consistent across a broader region as well as with the federal standard. Therefore, PJM recommends that Pennsylvania consider a definition of small generation that encompasses units that are 20 MW or less.

C. Issues unique to Pennsylvania

PJM recognizes that each state may have unique needs when developing procedures to streamline the connection of small generators to the system. Currently, there are 10 small generators in Pennsylvania which are at various stages in the interconnection process. While it is possible that there could be interconnection issues that are unique to Pennsylvania, PJM does not anticipate any such issues at this time due to the engineering similarities of the grid in Pennsylvania when compared with other states.

IV. Conclusion

PJM reiterates its belief that regional consistency is critically important to development of small generation and supports the efforts of the Pennsylvania Commission to establish generation interconnection standards for small generators.

PJM looks forward to working with the Commission on this important matter.

Respectfully submitted,

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Dated: February 1, 2005

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