

728. Westconnect RTO and others argue that the Transmission Provider should credit the Interconnection Customer only for the "demand" or "return" component of the otherwise applicable transmission charges, and not apply the credit to such costs as operations and maintenance, administrative and general, taxes, line losses, etc. Also, Westconnect RTO and BPA oppose the proposal in Section 12.3 of the NOPR LGIP that the Interconnection Customer receive transmission credits for expediting costs associated with constructing Network Upgrades out of sequence. TAPS states that the Interconnection Customer should receive a credit against its network transmission service bill based on the capacity of the Generating Facility, not the energy output of the unit. It argues that an energy output-based method of calculating the credit unfairly penalizes network customers and sends the wrong price signal, discouraging the construction of peaking units and the designation of such units as Network Resources.

729. WEPCO states that the Commission must continue to mandate, as proposed in Article 11.4 of the NOPR LGIA, that rights to receive credits are fully assignable. It believes that this is crucial because in many instances the Interconnection Customer is not the transmission customer.

Commission Conclusion

730. The Commission agrees with Dynegy and others that the Interconnection Customer should receive credits for transmission (delivery) service taken anywhere on the Transmission Provider's Transmission System and that credits should not be limited to service taken with respect to the Generating Facility at the point of receipt, as long as certain conditions are met. That is, as long as the Generating Facility has achieved commercial operation, continues to operate and there are unpaid credits outstanding, the Interconnection Customer should receive credits for all of the transmission charges that it pays, including charges for "through" transmission service. This is appropriate because it provides an additional vehicle by which the Transmission Provider can meet the requirement that the Interconnection Customer must receive a full refund of all amounts due within five years of the Commercial Operation Date. Accordingly, the Commission is removing from Article 11.4.1 of the Final Rule LGIA the following language: "so long as Transmission Provider continues to receive payments for transmission

service with respect to the Generating Facility during such period."

731. Edison Mission asks that Articles 2 and 11 of the NOPR LGIA be modified to allow the Interconnection Customer to receive credits for Network Upgrades that it has paid for if the interconnection agreement is terminated or the Generating Facility is not constructed. The Commission disagrees. In order to achieve an appropriate balance between the Interconnection Customer's risks and incentives, the Commission believes that the Interconnection Customer should receive a refund of the costs of Network Upgrades only if the Generating Facility has achieved commercial operation. Allowing the Interconnection Customer to avoid any responsibility for the cost of Network Upgrades needed for a Generating Facility that is never completed would improperly shift all risk of cost recovery to the Transmission Provider and its other customers. In addition, it would greatly reduce the Interconnection Customer's incentives to make good faith requests for Network Upgrades. Therefore, the Commission concludes that the Transmission Provider must provide a refund to the Interconnection Customer only after commercial operation of the Generating Facility has been demonstrated. However, if the Generating Facility fails to achieve commercial operation, but it or another Generating Facility is later constructed and makes use of the Network Upgrades, the Interconnection Customer would at that time be entitled to a refund of the investment that it made in the Network Upgrades.

732. Westconnect RTO and others argue that the Transmission Provider should credit the Interconnection Customer only for the non-usage sensitive "demand" or "return" component of the applicable transmission charges, presumably on the basis that this is the component that relates most directly to the cost of the investment for which the Interconnection Customer is to receive credits. The Commission clarifies that the Transmission Provider may decline to award credits for those transmission charges that are designed to recover out-of-pocket costs, such as the cost of line losses, associated with the delivery of the Generating Facility's output. The Commission notes, however, that all amounts paid by the Interconnection Customer toward Network Upgrades must be refunded within five years of the Commercial Operation Date. Thus, any reduction in the level of credit payments will only increase the cost of interest and the magnitude of the final cash payment that may be required.

733. Westconnect RTO and BPA oppose the proposal in Section 12.3 of the NOPR LGIP that would provide the Interconnection Customer with a refund of the costs of expediting construction of Network Upgrades so that they can be placed in service out of sequence. The Commission is not changing this provision in the Final Rule LGIP. The sequence in which Network Upgrades would normally be constructed is based on the order in which requests are received. Although changing the order may increase or decrease the level of costs, the new level of costs is no less legitimate than the first. Thus, the Transmission Provider must refund to the Interconnection Customer the cost of constructing Network Upgrades regardless of the construction sequence.

734. In response to WEPCO's concern about the assignability of refund rights, the Commission confirms that Final Rule LGIA Article 11.4 provides that refund rights are fully assignable.

735. Finally, the Commission clarifies how the crediting policy will work when the Interconnection Customer elects to build and retain ownership of Stand-Alone Network Upgrades. In such case, the Interconnection Customer is not entitled to a refund of its investment in any facilities in which it elects to retain ownership. If the Interconnection Customer constructs Stand-Alone Network Upgrades, and chooses not to transfer ownership to the Transmission Provider, it will not receive a refund but may enter into a cost-based lease agreement with the Transmission Provider that places the upgrades under the Transmission Provider's operation and control. The rates, terms and conditions of any such lease agreement are subject to the approval of the Commission.

Responsibility for the Costs Incurred by Affected Systems

736. A number of commenters argue that the Final Rule should address directly the assignment of costs that may be incurred by Affected Systems when an Interconnection Customer obtains an interconnection.¹¹⁸ Entergy contends that, even if the Final Rule LGIA could bind an Affected System, the Commission's current interconnection pricing policies fail to establish the allocation of the costs of Network Upgrades among the Interconnection Customer, the interconnecting Transmission Provider, and the Affected System. Dominion

¹¹⁸ As discussed above, an Affected System is a system other than that of the Transmission Provider that may be affected by the proposed interconnection.