

generation step-up transformers, appropriately assigns the costs of Interconnection Facilities to the generation customers using them, and ensures that the Transmission Provider's own Generating Facilities and those of its competitors are treated comparably.

744. However, the Commission is sympathetic to the concern of PJMTO and Exelon and Sthe that the Transmission Provider may have difficulty recovering the costs associated with Generating Facilities that it does not own, including those that it once owned but has since divested. Also, the Commission is concerned that the Transmission Provider may have difficulty identifying the interconnection-related costs of older Generating Facilities given that, historically, the Transmission Provider may have had no reason to segregate these costs from other transmission costs in its books of account. Therefore, the Commission is not adopting the NOPR's proposal to require the Transmission Provider to remove from its existing transmission rates the costs of all Interconnection Facilities constructed for its own Generating Facilities and to directly assign them as generation-related costs. Rather, the Commission here is imposing a more limited requirement. The Commission is requiring that the Transmission Provider remove from transmission rates only the costs of Interconnection Facilities constructed by the Transmission Provider after a certain date to interconnect Generating Facilities owned by the Transmission Provider on the effective date of this Final Rule. That date certain is March 15, 2000, the date on which the Commission issued its order in *Tennessee* clarifying that interconnection is a separate component of transmission service, and that an Interconnection Customer may request interconnection separately from the delivery component of transmission service. That order effectively placed Transmission Providers on notice that the costs of Interconnection Facilities cannot be recovered in rates for transmission service. Thus, the Commission presumes that after March 15, 2000, any Interconnection Agreement signed by the Transmission Provider provides for the direct assignment of Interconnection Facility costs to the Interconnection Customer. The Commission also presumes that the Transmission Provider can identify the costs of any Interconnection Facilities constructed for its own Generating Facilities after March 15, 2000. In this

Final Rule, the Commission is requiring the Transmission Provider, in its next filed transmission rate case, to remove such costs from transmission rates.

745. With regard to the Arkansas PSC's concern about the impact of any cost shifting that may result from the reallocation of Interconnection Facility costs, we do not believe that the impact will be so great as to warrant a phase-in. Because the requirement that we are adopting here applies only to costs incurred after March 15, 2000, we expect the cost impact, if any, to be small. Furthermore, any cost impact will not occur until the Transmission Provider's next filed rate case.

746. Finally, in response to Calpine, the Commission is not requiring in this Final Rule any changes to previously accepted interconnection agreements.

Miscellaneous Pricing Issues

747. Dynegy argues that Article 4.6 of the NOPR LGIA should be clarified to include a more comprehensive listing of the possible services that the Interconnection Customer might be called upon to provide to the Transmission Provider under the express provisions of the LGIA. Dynegy submits that the Interconnection Customer would be required to have a Tariff on file with the Commission pursuant to Section 205 of the Federal Power Act for any service for which it seeks to charge the Transmission Provider. In the alternative, it recommends that the Commission clarify that this provision does not require the Interconnection Customer to forego the right to seek compensation for any services beyond the two listed.

748. ACEEE states that it agrees with the Commission's general proposal on pricing, but identifies pricing issues faced by the Interconnection Customer that it believes can pose major barriers to interconnection. It claims that excessive standby charges, backup power rates, and insurance requirements have frequently been used to try to block an Interconnection Customer from interconnecting a new Generating Facility and competing on a comparable basis. It states that the Commission and others must address these pricing issues if electricity markets are to be fully accessible.

Commission Conclusion

749. In response to Dynegy, the Commission clarifies that, while Articles 4.6 and 11.6 of the Final Rule LGIA provide that the Transmission Provider must compensate the Interconnection Customer for certain specific services that the latter provides, no provision of the Final Rule LGIA

limits the right of the Interconnection Customer to seek compensation for any other services that the Transmission Provider may from time to time request from the Interconnection Customer.

750. With regard to ACEEE's concerns about the rates for standby charges and backup power rates provided by the Transmission Provider to the Interconnection Customer, the rates for these services are a state jurisdictional retail rate issue. The Commission discusses insurance requirements in part II.C.8.a of this Preamble.

2. Interconnection Products and Scope of Service

751. Scope of service, including in particular the definition and study requirements for the two Interconnection Service products proposed to be made available to Interconnection Customers, was perhaps the most heavily debated topic during the ANOPR phase of this proceeding. In addition, the controversial nature of this topic is reflected in the many pages that commenters devoted to it. These comments are addressed below.

Definition of Interconnection Products

752. The LGIA NOPR provided for two Interconnection Service products from which the Interconnection Customer would have to choose: Energy Resource Interconnection Service, which is a basic or minimal interconnection service, and Network Resource Interconnection Service, which is a more flexible and comprehensive interconnection service.¹¹⁹ Neither is a transmission delivery service. Article 4 (Scope of Service) of the NOPR LGIA defines these products and sets forth specific Interconnection Study requirements for each. This article also describes the relationship between delivery service and the Interconnection Services, as well as the rights and responsibilities that each Interconnection Service entails. In addition, Section 3.2 of the NOPR LGIP sets forth the procedure that the Interconnection Customer must use to select an Interconnection Service.

753. As proposed, Energy Resource Interconnection Service would allow the Interconnection Customer to connect its Generating Facility to the Transmission System and be eligible to deliver its output using the existing firm or non-firm capacity of the Transmission System on an "as available" basis. In an area with a bid-based energy market (e.g., ISO New

¹¹⁹ During the ANOPR negotiating sessions EPSC and other Interconnection Customers negotiated to secure these two forms of service.