

Transmission System in a manner that ensures that aggregate generation can meet aggregate load while satisfying regional reliability criteria and generation capacity planning requirements. However, these upgrades do not necessarily eliminate congestion.

770. In response to ISO New England and the Midwest ISO, the Commission is not limiting the Interconnection Customer's interconnection alternatives to a single option that meets only a minimum interconnection standard. In general, such a policy would not provide an interconnection that meets the standard that the Transmission Provider uses to interconnect its own generators. The Commission notes, however, that in regions where the Transmission System is operated by an independent entity, the Commission allows flexibility, as discussed in part II.C.1 (Interconnection Pricing Policy). For example, an independent entity may determine, subject to Commission approval, that the designation of Network Resources is not necessary (which, PG&E points out, is the case in California).

771. The Commission recognizes that the Transmission Provider's Transmission System may not comprise a single Control Area, as several commenters point out. If the Transmission Provider operates more than one Control Area, it may limit the network service that is available to an Interconnection Customer taking Network Resource Interconnection Service to the Control Area where the Generating Facility is located. If the Interconnection Customer wishes to serve load in another Control Area, it must submit a separate request for transmission service to that other area, and it would be subject to the pricing provisions of the Transmission Provider's OATT for that service.

772. The Commission further clarifies that, if the Generating Facility of an Interconnection Customer taking Network Resource Interconnection Service is selected by a load as a designated Network Resource, it will be required to meet all network operating obligations that the OATT imposes upon Network Resources generally. If an Interconnection Customer's Generating Facility has not been designated as a Network Resource by any load, it cannot be required to provide Ancillary Services except to the extent such requirements extend to all generators that are similarly situated.

773. Finally, in response to Dairyland Power and others, the Commission notes that an RTO or ISO may propose in its tariff filing to modify the definition and scope of the available

interconnection products to accommodate its market.

Pricing of Network Resource Interconnection Service

774. Some commenters express concern over the application of the proposed interconnection pricing policy to Network Resource Interconnection Service. For example, Progress Energy and the Alabama PSC believe that an Interconnection Customer taking Network Resource Interconnection Service should pay a reservation charge for reserved but unused transmission capacity on the Transmission Provider's Transmission System. Progress Energy believes that such an approach would properly allocate the cost of the transmission capacity being reserved for the Interconnection Customer until a customer actually begins paying for transmission service for output from the Interconnection Customer's Generating Facility.

775. Entergy states that the requirement that a Transmission Provider offer Network Resource Interconnection Service should not be included in the Final Rule until the Commission has thoroughly analyzed the effects of providing such service. If this service is required, however, Entergy recommends that a Transmission Provider be compensated by any Interconnection Customer electing this service, as the service prevents a Transmission Provider from achieving the maximum use of its Transmission System due to the standing transmission reservation that it claims is granted to an Interconnection Customer under this service. The Coalition for Pricing recommends that the Interconnection Customer be required to commit to pay for Network Resource Interconnection Service for a specific term long enough to protect other customers from economic harm. It further recommends that, if the Interconnection Customer is not required to commit to a specific term of Network Resource Interconnection Service, it should at a minimum be required to pay some amount up front to cover ongoing expenses associated with the upgrades constructed if service is cancelled after a short time.

776. NRECA-APPA states that coupling Network Resource Interconnection Service with the Commission's current interconnection pricing policy will cause customers to bear much of the cost of Network Upgrades while having no right to use the resulting transmission delivery capability.

777. However, American Transmission opposes any special

charges for Network Resource Interconnection Service and believes that commenters' criticisms that this service confers too great an advantage on the new Interconnection Customer are overstated. It believes the provision should be designed to put the independent generation owner on a competitive footing equal to that of incumbent owners. If the Commission is persuaded that the proposed policy provides an undue advantage to the new Interconnection Customer, the solution lies in adjusting the service description, not in imposing a surcharge.

Commission Conclusion

778. The Commission is not requiring the Interconnection Customer to pay a reservation fee for the delivery component of transmission service as a condition for receiving Network Resource Interconnection Service. As explained above, Network Resource Interconnection Service does not convey to the Interconnection Customer a reservation of transmission capacity or the right to begin taking firm or non-firm transmission service on the Transmission Provider's system. Rather, its purpose, as stated in proposed LGIA Article 4.1.2.1, is to provide the Network Upgrades needed to integrate the Interconnection Customer's Generating Facility into the Transmission System in a manner that is comparable to that in which the Transmission Provider integrates its own resources or other Network Resources. When the Interconnection Customer does take transmission service, it (or its power sales customer) will be required to pay appropriate rates, subject to the crediting provisions of Article 11.4 of the Final Rule LGIA. To charge the Interconnection Customer an additional reservation fee, as several commenters propose, would violate the Commission's prohibition against "and" pricing. Nevertheless, Network Resource Interconnection Service does not guarantee that the Interconnection Customer can physically deliver its output to any load. This means that, depending on the location of its power sales customer, the Interconnection Customer may be required to pay congestion or redispatch costs.

779. Finally, in response to NRECA-APPA, the Commission emphasizes that any capacity created by the Network Upgrades constructed on the Interconnection Customer's behalf is available for use by all customers on an equal basis. The Final Rule only requires that, once the Interconnection Customer has paid for the Network Upgrades needed to integrate its Generating Facility, it cannot be charged