

STATE OF MICHIGAN
BEFORE THE MICHIGAN PUBLIC SERVICE COMMISSION

In the matter on the Commission's own	)	
motion of the interconnection of merchant	)	
plants with the transmission and distribution	)	Case U-12485
systems of electric utilities	)	
_____	)	

COMMENTS OF ENERGY MICHIGAN, INC. ON CONSUMERS ENERGY PROPOSED
GENERATOR INTERCONNECTION STANDARDS AND
DETROIT EDISON COMPANY PROPOSAL FOR DISTRIBUTED
GENERATION INTERCONNECTION GUIDELINES

Pursuant to the Order of the Michigan Public Service Commission (Commission) Energy Michigan hereby provides comments on the Detroit Edison Company's draft proposal for distributed generation interconnection guidelines and the Consumers Energy Company proposed generator interconnection standards.

I. DESIRABLE CRITERIA FOR INTERCONNECTION STANDARDS

A. Recommended Solutions

In previous submissions to Commission Staff, Energy Michigan has taken the position that the following points (many of which are taken from recent ERCOT rules) should be incorporated in new interconnect standards for both large and small projects:

1. Interconnect Studies

- a. There must be mandatory time frames for the completion of interconnect studies and guidelines for the cost of such studies. These guidelines should

be extremely tight in the case of generation projects of less than 10 MW which are located on distribution facilities. ERCOT rule 25.211(g)(2) requires a four week turn around.

- b. There should be a mechanism to purge inactive generation applications, perhaps through the use of project milestones, etc.
- c. If utility personnel are unable to complete studies within the required time frames customers should be able to contract the work to private vendors. If utilities insist on performing the work, damages should be specified for failure to complete on time. Cost caps are particularly important for small projects.

2. There Should Be a Standard Interconnect Format Agreement (Particularly for Small Projects)

- a. The standard interconnect agreement should specify time requirements for negotiation. ERCOT uses a six week time frame for small projects. There should be a prescribed time frame for turn around of drafts. *Rule 25.211(m)*.
- b. There should be at least two formats: one for export projects and one for inside the fence projects.
- c. There needs to be a standard policy on the liability of projects to provide system or other upgrades which bears a reasonable relationship to the cost/size of the project.
- d. If upgrades are required, there must be a standard policy requiring that costs paid by the project are net of salvage value of replaced equipment and value

of the new facilities which will be realized by the utility in the form of service to other customers or future customers, etc.

3. Time and Cost of Constructing Interconnect Facilities

- a. There should be a standard policy on the time frame allowed to construct the interconnect facilities indicated by studies and interconnect agreement. Such time lines could differ regarding small and large projects.
- b. Liquidated damages should be specified for failure to achieve construction in required time frames and within budget. The ERCOT format of requiring the utility to choose between accepting liquidated damages for failure to construct on time and within budget or allow the developer to select its own contractor or have the work bid out to a contractor selected by the utility should be adopted.
- c. Note that ERCOT has also used standard turn around time frames for interconnection study, contracting and construction, particularly in the case of projects of less than 10 MW. *ERCOT Rule 25.211*.

4. Comparability

There should be requirements that non-utility generation be subject to the same standards of interruption, dispatch, etc. as utility native generation. There should be a distinction for inside the fence projects and relaxation or elimination of telemetry or other requirements allowing dispatch which do not apply to such projects.

- 6. The Commission should initiate a program of equipment pre-certification to speed the construction and interconnection agreement negotiating process.

7. An accelerated program of dispute resolution would help resolve bottle-neck issues.

B. Recommended Process

1. Energy Michigan recommends that the Commission convene a group of interested non-utility generators, non-utility marketers, utilities and large customer/hosts for a meeting to identify issues of concern regarding the filed interconnection proposals submitted in this docket.
2. Phase II of the process should require circulation or development of proposals to resolve the issues identified.
3. Phase III should involve attempts to negotiate consensus agreements on the methods to resolve issues identified with those issues not resolved by consensus being the subject of hearings before the Commission.

Note that Ohio appears to be going through the same process of developing interconnect standards and the IEEE is working on this with a goal of producing national model in 2001.

II. ASSESSMENT OF DETROIT EDISON DRAFT PROPOSAL FOR
DISTRIBUTED GENERATION INTERCONNECTION GUIDELINES
IN COMPARISON WITH ENERGY MICHIGAN CRITERIA

A. Detroit Edison

1. Single Phase Units 25 kVA or Less

The Edison interconnect standards for projects of 25 kVA or less contain many promising features. The proposed time line for completion for Edison activities is four weeks. Costs for Edison reviews and studies are \$700 or less. (It should be noted, however,

that this fee structure could prove burdensome for the very small projects designed to serve one household for example. Seven hundred dollars of Edison cost could represent 20%-30% of the entire project cost).

Edison proposes to use type testing arrangements whereby a specific type of generator installation would be tested by national labs and Edison would not be required to repeat such testing to approve installation of the equipment in connection with the Edison system. For smaller projects, Edison proposes to waive the requirement for system impact studies. Also, for single phase 25 kVA project, there is no need for control drawings or schematics.

Collectively, the Edison procedures for projects of 25 kVA or less appear relatively streamlined and do not seem to be a barrier to project development.

2. Projects Greater Than 25 kVA

Edison's interconnect guidelines for larger projects contain deficiencies:

- a. Dividing distributed generation into size levels of 25 kVA and below on the one hand and above 25 kVA for everything else is likely to place an unreasonable administrative and cost burden on projects in the 26-300 kVA range. These projects are too small to carry a significant administrative cost burden yet are subjected to the same requirements as a project of 5,000 or even 10,000 kVA. It would be desirable for Edison to implement one or two intermediate levels of interconnect requirements for projects in the 26-1,000 kVA range.
- b. The time requirement for processing is either much longer or much less defined than the requirements applicable to projects of 25 kVA or less. For example, Edison is allowed up to 20 business days to determine if a certain

type of study is required. The customer must make advanced payment for installation which must be constructed. There are no time deadlines on the work of acting upon interconnection requests nor are there guarantees that interconnection will be accomplished within certain cost limits.

- c. Several important intermediate steps such as implementing a customer testing plan are left to be developed on a case by case basis by the customer.
- d. Where the utility cannot complete interconnection work on a timely or cost effective basis, the customer does not have the option to retain a private contractor or do the work itself to the utility's specifications.

In summary, all distributed generation or merchant plant projects on the Edison system above 25 kVA are lumped into one category of merchant plants and this category does not enjoy any substantial guarantees that interconnection will be accomplished on a timely, fair or cost effective basis.

In addition to these comments, please see Attachment 1.

III. CONSUMERS ENERGY PROPOSED GENERATOR INTERCONNECTION STANDARDS

The Consumers Energy proposed interconnect standards have several positive features:

- 1. The standards are differentiated according to three capacity sizes: less than 100 kW, 100-999 kW and greater than 1,000 kW.

This three tiered approach avoids the all or nothing approach of Detroit Edison which divides projects into one very small class (25 kVA or less) and all other generator sizes.

2. Standards for “non-sell back” projects below 100 kW are simplified and engineering study requirements are waived.
3. Small projects qualify for a relatively rapid 15 day process to execute the interconnect agreement.
4. The application fees for “non-sell back” projects below 100 kW are limited to \$400 but “sell back” projects may also have to pay a \$2,000 engineering study fee.

It should be noted that the term “sell back” appears to apply to a project selling electricity to the utility but the status of projects which hope to sell output into the wholesale competitive non-utility market is not defined. Consumers should clarify this question.

For projects larger than 100 kW Consumers’ proposed standards appear to leave many questions open.

There is no guarantee of deadlines for processing or interconnection work. Projects thus have no means of assuring that Consumers will complete required work in a specified time or at a competitive cost. Projects which cannot obtain required interconnection work from Consumers on a timely or cost effective basis should have the right to contract with private engineering firms or to complete required work themselves or be able to hold Consumers to clearly specified costs and time deadlines.

Pre-certification of equipment should be assured where feasible.

Finally, there should be standards mandating that non-utility generation be subject to the same standards of interruption, dispatch, etc. as utility native generation. There should also be a distinction for inside the fence projects and relaxation or elimination of telemetry or other requirements allowing dispatch which do not apply to such projects.

It is emphasized that some generation projects located on the distribution system will desire to sell power into wholesale markets. Utilities are not allowed to prevent, preapprove or approve such sales. Nor are utilities required to buy this output. Given this situation the potential for such wholesale transactions should be recognized and standardized arrangements should be made to accommodate this new phenomenon.

IV. CONCLUSION AND REQUEST FOR ACTION

The interconnection filings submitted by Detroit Edison and Consumers Energy are a start along the path of developing practical and expeditious interconnect standards for non-utility generation. However, significant problems remain to be solved. For projects above 100 kW, the guidelines proposed by Edison and Consumers do not appear to assure rapid processing at reasonable costs, nor do they assure that interconnection study costs will be reasonable and that interconnection study costs or work will be reasonable or performed on a timely basis. Developers of such projects are not allowed to contract for required work with private contractors when the utility is unable or unwilling to complete required work on a timely or cost effective basis. The status of projects selling into the wholesale market remains ambiguous.

The Commission should address these questions by moving to an informal process where the specific interconnection standards may serve as a starting point in a process which allows interested parties to obtain needed modifications.

Respectfully submitted,

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June 6, 2001

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ATTACHMENT 1

Additional Comments on Detroit Edison Guidelines

1. In Section 2 (General Information), page 10, under "Supply from the Secondary Network", we agree that a full engineering study is required for this type of installation but that mention of IEEE - SCC #21-P1247, a study group in the IEEE that is working on this problem, should be noted and as a minimum, the guidelines from this group should be followed.

2. In Section 2 (General Information), page 10, under "Momentary Paralleling with Detroit Edison", it should be noted that this operation is already a permissible configuration, does not apply to a distributed generation system and should be noted as such or eliminated from the document to avoid confusion.

3. In Section 2 (General Information), page 11, under, "Applicable Fees and Charges", the Commission may wish to adopt a flat \$5.00 per nameplate kW charge by the Company for the purposes of the Application Fee Charge and the System Impact Study Charge. This concept levels the cost to all and avoids the "first request" from paying the full amount for a systems study. This approach has been used successfully in the First Energy service area.

4. In Section 3 (Design Requirements), page 14, a discrete synchronization check relay (ANSI [25]) should be required in the list of protection. Many control units are using software type logic for this protection and it cannot be trusted in all cases.

5. In Appendix I - Application Process (25kVA Units or Less), page 29, under each step, the length of time to complete each step should be noted. For example, Step 2, should be "upon receipt of the application and fee". This review should take no more than 2 weeks, whereupon it is back to the Applicant to begin Step 3. Upon signing the Agreement, the Utility should be ready for installation for this size unit within two weeks.

6. In Appendix II - Application Process (Units greater than 25kVA), page 36, under each step and similar to that noted in [5] above, the length of time to complete each step should be noted. The impact review should take no more than 4 weeks for this process. Again, the \$5.00/kW charge would apply for this part of the work.

7. There is little in the way of time lines for larger projects. Edison could, by applying these proposed interconnect standards, literally stop any DG program merely by changing the terms as allowed by their proposal. Time can kill any competitor and DE has put time completely on its side.

As an option, IEEE has developed (and continues to develop) interconnect standards

that get us much closer to a workable system that could succeed in a competitive environment. Perhaps Michigan IOUs should be required to adhere to the IEEE format and take exception only if the Michigan environment can be proven (definitively by the utility) to be different than other areas of the U.S.

8. DE's proposed guidelines at p 4 - states that interconnecting customers must have all agreements executed w/DE before parallel operation is permitted, including "rates, terms and conditions for energy flow into and out for the facility." It is not clear what that means.

9. Also, on the page 4, it says that customers taking bundled service have a right to standby service but open access customers do not. Why can't standby be unbundled and provided to all customers? Finally, on the same page, it says that a customer can sell output from the DG only w/DE's permission. This is unreasonable - besides, if a customer wants to sell at wholesale it's entirely FERC-jurisdictional.

10. On p. 8 it says that DE has "the responsibility to monitor all wholesale transactions between a DG and third-parties." It is not clear what Edison thinks is monitoring - this language should be removed.

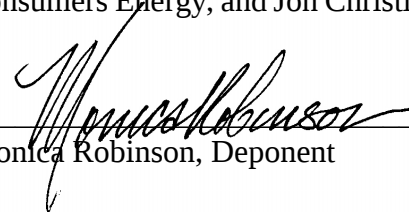
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PROOF OF SERICE

Monica Robinson, duly sworn, deposes that on this 6th day of June, 2001 she served a copy of Comments of Energy Michigan, Inc. on Consumers Energy Proposed Generator Interconnection Standards and Detroit Edison Proposal for Distributed Generation Interconnection Guidelines upon David Gadaleta of the MPSC Staff, Jon Robinson of Consumers Energy, and Jon Christinidis by e-mail and regular mail, at their last known addresses.



Monica Robinson, Deponent

Subscribed and sworn to before me
this 6th day of June, 2001.



Rebecca Grenawalt, Notary Public
Ingham County, Michigan
My Commission Expires: July 12, 2001