



FEDERAL ENERGY REGULATORY COMMISSION

Date March 20, 2008
Docket No. AD08-2-000
Item No. E-27

Chairman Joseph T. Kelliher

Statement of Chairman Joseph T. Kelliher on Interconnection Queuing Practices

"Today, the Commission issues an order that provides guidance to regional transmission organizations (RTO) and independent system operators (ISO) regarding possible reforms to the interconnection queue process. This order is an important step towards resolving the queue problems that have arisen in a number of regions.

Queue problems have arisen because of the surge of new entry by generators in certain regions of the country. There is great interest in gaining access to RTO and ISO markets by new generation entrants, especially wind and other renewable energy projects. This interest is greater in the organized markets than other markets, and for that reason this order is limited to the organized markets.

The nature of the queue problem varies from region to region. In some regions, such as the Midwest, the queue problem arises because of the unprecedented entry of renewable energy generation, particularly wind projects. In other regions, the issues are related more to the inception of forward capacity markets.

Because the nature of the problem varies from region to region, we are affording appropriate regional flexibility. We are able to allow regional flexibility because Order No. 2003 provides for independent entity variations. We also have discretion to grant waivers from Order No. 2003 where appropriate.

I agree with the view expressed at the technical conference the Commission held last December that a rulemaking is the wrong path, since a rulemaking would unduly delay queue reforms and not permit sufficient regional flexibility.

The need for this guidance order does not call into question our interconnection policies generally. In my view, Order No. 2003 has been a great success. It reduced the potential for undue discrimination and preference by vertically integrated utilities against independent power producers, while protecting reliability and assuring just and reasonable rates.

However, circumstances have changed since Order No. 2003 was adopted five years ago. Electricity markets are highly dynamic, and patterns of generation entry have changed. Commission policies on resource adequacy have also advanced over that period. Those developments lead us to the action we take today. But Order No. 2003 remains fundamentally sound.

RTOs and ISOs have made progress since the December technical conference on developing necessary reforms. This order encourages their efforts, requires them to report to the Commission on their progress, and provides important guidance on a number of possible reforms. In particular, we encourage RTOs and ISOs to consider dedicate additional staff resources to interconnection studies, adopt more efficient modeling for feasibility and system impact studies, cluster studies, combining feasibility and system impact studies, eliminating the feasibility study, use of third party consultants, increasing the



STATEMENT

requirements for obtaining and retaining a queue position, among other reforms.

This order is an important step to reform the queue process and encourage continued entry by new generators in regional power markets.”