A Modest Proposal: A Market-Based Approach to Generation Interconnection Process Reform

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Rather than allocating queue positions and priority processing rights using a “first-come, first-served” or some other administratively determined allocation scheme, a more robust and defensible proposal would allocate queue positions and processing priority to developers who value them the most because they have the highest marginal costs of delay or waiting. Such an approach could be structured as a price-based auction.

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I. Summary

A large increase in the number of new generator interconnection requests has overwhelmed the “first-come, first-served” interconnection queue ordering and processing procedures that are in place in various regions of the United States, resulting in significant backlogs in the administration of such requests. These processing backlogs delay, if not prevent, the ultimate development and construction of new generation projects, especially renewable resources. There is general agreement among interested parties that queue management procedures must be changed from a “first-come, first-served” approach to a “first-ready, first-served” approach that gives processing priority to commercially viable projects.

Current interconnection queue reform efforts are generally focused on developing administratively determined gating measures to expedite processing (either serially or in clusters) for proposed generation projects that are deemed to be commercially viable, while at the same time developing administratively determined financial requirements to deter speculative projects from entering or remaining in the queue. A common underlying assumption to these reform efforts is that, under existing queue administration procedures, there is little or no cost to entering and remaining in a queue even for projects that are speculative in nature. Accordingly, the gating measures and financial requirements at the center of reform efforts seek to impose costs on projects that enter or remain in the queue, particularly those with lower positions. Unfortunately, however, the administratively determined gating measures and financial requirements at the heart of current reform efforts, even if well intended and fairly designed and applied, appear unlikely to achieve an efficient allocation of queue positions or processing priority. The reason for this is twofold. First, as a general matter, it is doubtful that any grid administrator or regulator has sufficient information and foresight to craft a set of queuing rules that would encourage commercially viable projects, deter speculative projects, and efficiently allocate queue positions and processing priority. Indeed, it is doubtful whether it is good public policy for grid administrators and regulators even to attempt to design such rules that would have the effect of picking winners and losers in the race to commercial development, especially given the myriad risks and uncertainties associated with the development and construction of relatively long lead-time generation projects with potentially long operational lives. Such an effort is all the more complex and daunting in these times of rapid economic and technological change with major shifts in energy and environmental policy looming on the horizon. Second, most, if not all, of the administratively determined gating measures and financial requirements being actively pursued appear to have little or no principled basis in economics or regulatory notions of cost causation.

As an alternative to current queue reform efforts, the authors propose a market-based mechanism for the ordering and processing of interconnection requests: namely, a price-based auction to allocate queue positions and priority interconnection processing rights to those developers who value those positions and rights the most. While the authors do not provide a detailed proposal for such an auction mechanism, they briefly outline a possible model based broadly on the multi-billion-dollar “position” auction timing and cost uncertainties on projects in the queue, particularly those with lower positions.
mechanisms used by Google, Yahoo, and other search engine providers to auction keywords linked to Internet search engine results, while also identifying certain issues that would need to be considered in the implementation of such an auction mechanism.

II. Flawed Interconnection Queue Procedures

The Federal Energy Regulatory Commission (FERC) and electric industry participants alike generally agree that the current approach to administering procedures for the interconnection of generation resources to the transmission grid is not working. The interconnection of large generating facilities is governed by FERC’s Order No. 2003, which standardized the agreements and procedures for interconnecting generators above 20 MW. Under these procedures, grid operators generally assign sequential queue positions based on the order in which interconnection requests are received and conduct interconnection studies for each request based on its queue position. Each interconnection study considers the impact of projects that are positioned higher in the queue on the project being studied.

As described by FERC, “[s]urges in the volume of new generation development are taxing the current queue management approach in some regions” and the “unprecedented demand in some regions for new types of generation, principally renewable generation, places further stress on queue management....” This increase in generation development activity has resulted in large queue backlogs in some regions and significant delays and cost uncertainties for projects as grid operators struggle to process interconnection requests. Generation developers in California, for example, are responding to the adoption of a 20 percent renewable portfolio standard (RPS) and a possible move to a 33 percent RPS, aggressive greenhouse gas emissions reduction goals (reverting to 1990 levels by 2020), and tax incentives for renewable energy. As of late July 2008, 361 interconnection requests totaling more than 105,000 MW were pending in the California Independent System Operator Corporation (CAISO) interconnection queue. These requests, which include 68,000 MW from renewable resources, far surpass the CAISO’s historic peak demand of 50,270 MW.

In addition to the challenges created by the significant increase in the number of interconnection requests, relatively minor financial commitment obligations and flexible suspension rights, together with a first-come processing approach, have allowed speculative projects that may never be commercially viable to enter and remain in the queues, resulting in overcrowded queues and a “clogging” of the interconnection process. For example, as of April 2008, the Midwest Independent Transmission System Operator, Inc. (Midwest ISO) had 348 active interconnection requests representing 80 GW of generation, with wind generation accounting for approximately 65 GW. The Midwest ISO estimated that, under its then-current procedures, it would not complete the processing of the 348 interconnection requests until 2050. The Midwest ISO predicts that only 32 percent of the pending interconnection requests actually will commence construction. Moreover, because the growing number of queued interconnection requests that do not correspond with projected demand (for example, the 65 GW of wind interconnection requests exceed RPS requirements by 225 percent), the Midwest ISO expects the completion rate for queued projects to decrease.

According to the Midwest ISO, the low cost of queue entry (a $10,000 deposit) and no cost for suspending projects encourages developers to enter the queue “early and often.” Permitting speculative projects to enter and remain in the queues has resulted in high levels of restudy and delays for subsequently queued projects, as earlier queued projects drop out of the queue when
developers are eventually required to make substantial financial commitments towards a project’s development and associated network upgrades at or near the end of the interconnection process. Similarly, PJM Interconnection, LLC (PJM) has emphasized that allocating queue positions to a “significant number of projects that ultimately lack real commercial viability” has contributed to the queue bottlenecks and backlogs in PJM. PJM estimates that at least 75 percent of interconnection requests involving new generation in PJM are eventually withdrawn from the queue, while at least 80 percent of the projects in the queue will never reach commercial operation. PJM reports that the policy permitting an interconnection customer to suspend its project for up to three years after executing an interconnection service agreement forces it to reserve valuable transmission capacity for the suspended project, thereby creating even more uncertainty and risk for lower queued projects. Moreover, as a PJM official recently testified, the current first-come, first-served interconnection processing approach can conflict with prudent grid planning because a grid administrator “really [has] no ability to move generators ahead in the process based on their ability to solve one [reliability] problem or another.”

III. Current Reform Proposals

Responding to concerns that interconnection requests are not being processed with the efficiency and timeliness envisioned in Order No. 2003, on Dec. 11, 2007, FERC held a technical conference on interconnection queuing and processing practices. In related comments, some industry participants criticized the “gaming” that is inherent in a first-come approach to interconnection queue processing, that while facially non-discriminatory in its design and application comes “at the expense of delaying much needed capacity and energy from supply-short markets.” Others raised more specific concerns, such as the need to eliminate the defective pricing rules associated with the first-come study process that place “the full cost of major grid improvements on a single project that holds the unlucky queue spot.” FERC acknowledged queue processing delays in all regions but found that backlogs and delays are particularly acute in regional transmission operator (RTO) and independent system operator (ISO) markets. FERC indicated that “[t]hese backlogs not only deprive generation developers of needed business certainty, they also undermine other important public goals,” such as meeting state-mandated RPS requirements.

FERC directed RTOs and ISOs to file reports providing the status of their respective interconnection queues and schedules for proposing and implementing any necessary process reforms. Accordingly, RTO and ISO administrators have begun to propose various reform models in an effort to expedite the processing of interconnection requests and relieve backlogs in queues. Most of the queue reform proposals currently being actively pursued attempt to improve queue management through administratively determined gating measures and financial requirements that indirectly attempt to allocate higher queue positions and processing priority rights to projects that grid operators deem to be commercially viable. For example, with respect to gating measures, the CAISO has proposed, and FERC has approved, giving priority processing rights to projects already in the queue that the CAISO has deemed to be “late-stage,” such as projects that have secured a long-term off-take agreement by a certain date. In turn, the Midwest ISO has proposed a process under which “more rigorous” milestones would be used to demonstrate whether a project is ready to proceed through the queue. These benchmarks include the ability to provide certain technical information, the posting of increased security, and the execution of a
contract for the sale of energy from the generating facility.

With respect to financial commitment requirements, the CAISO has proposed, and FERC has approved, new requirements intended to deter speculative projects by increasing the level of deposits for a developer to enter and progress through queue processing. These new financial requirements raise the required deposit from an initial $10,000 deposit (and $170,000 aggregate deposit amount for three interconnection studies) to an advance, upfront deposit of $250,000 for two phases of interconnection studies, which becomes non-refundable over time. In addition, under these new requirements, a developer must post an Interconnection Financial Security in an initial amount equal to 20 percent of the total financial responsibility for network upgrades and interconnection facilities, as determined by the Phase I Interconnection Study. The developer must post the remaining 80 percent of the estimated costs within six months of the conclusion of the Phase II Interconnection Study. A portion of the Interconnection Financial Security becomes non-refundable over time. Prior to these new requirements, developers did not provide financing for network upgrades until after commencing construction of their projects.

Similarly, PJM has proposed, and FERC has approved, increasing the base, non-refundable feasibility study deposit in increments of $10,000, up to $30,000, depending on when an interconnection request enters the queue. In addition to this base deposit, PJM requires another deposit based on the MW size of the interconnection request and the time the request enters the queue: $100 per MW in the first calendar month of the queue, $150 per MW in the second calendar month of the queue, and $200 per MW in the third calendar month of the queue, with a $130,000 cap.

These various gating measures and financial requirements have been controversial, fueled by the inability of FERC, queue administrators, project developers, and other industry participants to agree on the nature and substance of administratively determined rules that will effectively deter speculative projects while also providing priority processing to projects that are commercially viable and thus are truly “first ready.” This lack of agreement is not surprising given that the stated bases for most, if not all, of these standards are at best intuitive judgments. For example, the simple fact that a proposed project has secured a long-term off-take agreement, a “late-stage” project criterion in the CAISO, does not necessarily demonstrate that the project is or will be commercially viable. Indeed, in California there are a large number of proposed projects that have experienced significant development delays and/or are many years away from expected commercial operation (in some instances as many as 10 years). It is therefore difficult to predict with any confidence whether they will in fact be commercially viable. Furthermore, although more stringent financial requirements may discourage speculative projects from entering the queue, the point at which such requirements serve as an effective deterrent is unclear. Indeed, the differences among the increased financial requirements as between the CAISO and PJM are a strong indicator of the ad hoc substance of these requirements.

IV. The Use of Administratively Determined Allocation Schemes for Queue Positions and Priority Processing Rights

One striking characteristic of all of the major queue reform proposals to date is that they all rely on an administratively determined queue ordering (based on whether a project meets the applicable criteria for demonstrating its commercial viability) followed by priority processing of the highest or higher-ordered
projects. The current reform efforts focus on streamlining the interconnection process by eliminating from the queue speculative projects that are unlikely to be built – an exercise that, as many have argued in the reform proceedings before FERC, is characterized by the imposition of *ad hoc* gating measures and financial requirements to indirectly separate out and differently process commercially viable and speculative projects. Even if it could be assumed that these reform measures will be sufficient to deter speculative projects from entering or remaining in the queue (an unlikely assumption given their rule-of-thumb nature), it is unlikely that these measures will actually result in the elimination of congestion from the interconnection process. In any event, once a developer has demonstrated that its project meets the relevant standards for demonstrating viability, the project would be deemed to be "ready" and would be processed on a priority basis, either serially or as part of a cluster.

There is a common and fundamental problem with both the first-come queue position allocation scheme found in current queue management systems and the proposed administratively determined first-ready allocation schemes. In particular, they each fail to recognize that a developer should place a value on having its interconnection request processed before other projects, thereby having an opportunity both to reach the market before other projects as well as to reduce uncertainties regarding development timing and the ultimate assessment of network upgrade costs. Put simply, the very existence of a queue means that queue participants must bear certain costs or negative externalities imposed on them by other participants as a result of their mere presence in the queue. These costs increase as queues become overcrowded and processing is clogged. An efficient queue administration process would cause queue participants to internalize these costs and thereby minimize them in the aggregate.

What are these costs? As a general matter, they are the opportunity costs associated with a delay in the processing of an interconnection request. One of these opportunity costs relates to the value to a developer in being able to obtain priority processing for its request if for no other reason than to have an opportunity for its project to reach the market before other projects in the queue. Indeed, for many projects, it is not difficult to imagine that getting to market later than other projects means never getting there at all. For example, a significant portion of projects in the Midwest ISO and the CAISO interconnection queues represents renewable resources that are responding to the states’ RPS mandates (and, but for these mandates, would likely not be developed at all). As the amount of proposed capacity for these queued projects far exceeds the RPS-based demand for renewable resources, these developers have a heightened incentive for their interconnection requests to be processed as expeditiously as possible, thereby enabling them to enter the market while there is still RPS-based demand for new renewable generation.

Another opportunity cost relates to the “lumpy” nature of incremental costs for network upgrades and expansions to accommodate new generation. For example, if a grid can accommodate two, but not three, new projects without the need for network upgrades, then the third project in the queue will bear (at least initially) the cost for these network upgrades. This cost is further exacerbated by the cascading effect that a higher order project’s delay or withdrawal from the queue can have on lower order projects, creating further timing and cost uncertainty for developers. Some queue participants should therefore place a value on a higher order queue position with clear and expeditious processing rights, which would afford them a level of both cost and timing certainty that would not be available if they were positioned lower in the queue.
V. An Auction-Based Approach for Allocating Queue Positions and Priority Processing Rights

Allocating queue positions and priority processing rights using a first-come, first-served or some other administratively determined allocation scheme essentially results in “[t]he rights of one generator [being] in competition with the rights of every other generator” based on their respective queue dates. A more robust and defensible proposal would allocate queue positions and processing priority to developers who value them the most because they have the highest marginal costs of delay or waiting. Such an approach could be structured as a price-based auction in which participants’ positions in the queue are ordered by their bids, with the highest bidder’s project being awarded the right to a higher queue position and priority queue processing. This approach would provide the winning bidder with, among other things, relative cost and price certainty as compared to other bidders’ projects positioned lower in the queue, and would avoid both the inefficiencies of a first-come, first-serve scheme and the inefficiencies and arbitrariness of an administratively determined allocation scheme. A developer’s bid should effectively represent its willingness to pay for its queue position and processing priority, both in terms of the delay or waiting costs it can avoid as well as the costs or negative externalities it imposes on participants in lower queue positions, and thereby signal its relative commitment to project development on a first ready basis. The authors emphasize here that the purpose of this article is not to propose a detailed auction mechanism to address the allocation of queue ordering and processing priority, but rather to suggest that such a market-oriented approach could lead to greater efficiency in queue administration, and to identify certain issues that would need to be considered in the implementation of such an approach.

An auction for queue position and priority processing rights if properly designed and implemented, should have a number of desirable economic properties that would lend itself to a more efficient allocation of queue positions and processing priority, especially in comparison to a first-come, first-served allocation scheme. Such an approach should improve allocative efficiency (i.e., reduce total delay or waiting costs) by creating incentives for queue participants to reveal through price-based bids their true marginal costs of delay or waiting (i.e., the value to them of completing the interconnection process quickly), ensuring that scarce processing priority is allocated to queue participants who value such priority the most. Moreover, a well-designed auction should generate revenues for grid administrators and/or market participants that reflect the full scarcity value of queue priority and processing. Finally, a well-designed auction should help grid administrators and existing and potential market participants obtain information concerning the need for network upgrades and expansion.

FERC has approved auctions to allocate physical or financial rights to scarce transmission capacity. It should be noted, however, that there are important differences between the auctions for the allocation of transmission rights and the position auction that the authors are here suggesting as alternative approach to interconnection queue reform. The transmission rights auction model addresses the scarcity of transmission capacity itself, by allocating capacity to the party willing to pay the highest price. By contrast, the queue reform proposal the authors are outlining here, and to some extent the major queue reform proposals that have already been presented to FERC, are designed to address the inefficient and ineffective administration of the interconnection procedures, in particular with respect to the ordering and processing of interconnection requests.
One possible auction model could be based on a “generalized second-price” (GSP) position auction. In such an auction, queue positions and processing priority would be determined in accordance with the value of bids from highest to lowest, while the price each bidder pays would be equal to the bid of the next highest bidder. Thus, the highest bidder or bidders would be awarded the highest position in the queue and the right to first-in-time interconnection processing, and would pay a price equal to the second-highest bidder; the second-highest bidder or bidders would be awarded the second-highest position in the queue and the right to second-in-time interconnection processing and would pay a price equal to the bid of the third-highest bidder; and so on. Alternatively, under a cluster processing approach, participants would be included in the cluster in order of their bids, from highest to lowest, up to the cluster limit, but the price that all cluster participants would pay would be equal to the bid of the highest bidder not included in the cluster.

Auction revenues would be non-refundable and could be used to finance network upgrades and expansions, or fund such upgrades and expansions under a participant funding regime. The resulting allocation of queue positions and priority processing rights should be more efficient than either a first-come or an administratively determined first-ready allocation scheme because developers’ bids should reflect their private valuation of priority processing (including costs they can avoid by having a higher queue position and processing priority), while also causing developers to internalize the opportunity costs they impose on other queue participants by having a higher position in the queue. At the same time, such an auction and the revenues it produces should provide a market signal, as well as a financing (or funding) source, for network upgrades and expansions needed to accommodate new generation.

As far as the authors are aware, GSP position auctions have not been used in electricity-related markets in the United States. Nonetheless, such auctions are not uncommon, as they have been used for some time by Internet search engine providers such as Google and Yahoo to sell billions of dollars of advertising links to keywords in Internet search engine results. Given the economic importance of GSP position auctions, not surprisingly, they have been subject to increasing study by economists who have concluded that, while not ideal (because they do not result in bids that necessarily reflect bidders’ true valuations), they nonetheless have desirable economic properties because they result in stable outcomes or equilibria that are comparable to an ideal second-price auction (in which bids would reflect bidders’ true valuations).

While queue participants would still be required to meet the applicable standards under the grid administrator’s interconnection procedures, participants with higher bids would have the right for their requests to be processed before other participants with lower bids, thereby reducing the cost and timing uncertainty associated with lower queued positions. As an initial matter, the grid administrator would have to determine the “quantity” of priority processing rights for which participants would compete through their bids, which could be structured to take place on a periodic (e.g., biannual or annual) basis. This quantity would be a function of, among other things, the grid administrator’s technical and administrative ability to process a particular number of interconnection requests (or a quantity of proposed generation) within a defined period of time, similar to the determination of the number of requests/projects that can be included in a cluster study approach. Interconnection-related studies would be based on the auctioned rights and the timing of those studies would be integrated into the timing of the auctions.
In order to have a functioning GSP position auction, the rights would have to be sufficiently detailed as to permit bidders to value these rights. As discussed above, in valuing these rights, bidders would consider their opportunity costs with respect to holding different order positions in the queue. In other words, a bidder would consider the costs that it may be able to avoid by having a higher (or the highest) position in the queue, and in so doing would also internalize the queue-related opportunity costs they impose on others. Moreover, it would be appropriate for a developer to continue to be solely responsible for its project’s direct interconnection costs, regardless of the developer’s bid in the auction. Otherwise, if the auction proceeds were to be used to offset those costs, the developer with the highest projected direct interconnection costs would generally win the auction – a result that would not likely result in priority processing rights being auctioned to the developer that values those rights the most. Furthermore, as discussed above, in a position auction (or any price-based queue processing mechanism), a successful bidder is not paying for the interconnection itself, but rather for the costs the bidder both avoids and imposes on others for its relative position in the queue. Thus, the price that a successful bidder pays for its queue position and processing priority would effectively establish the “floor” of what the developer would be required to pay in terms of network upgrade costs.

A fundamental consideration associated with an auction-based approach, as with any queue reform proposal, would be the appropriate transition mechanism from the current administration process, including, particularly, the treatment of existing queue participants. As amply illustrated in the current queue reform debates, any mechanism that would change the expectations of those currently in the queue would be controversial. In particular, it would have to be determined to what extent existing queue positions should be allocated “grandfathered” rights to processing based on these existing positions. That said, based on recent FERC orders approving proposed queue reforms in the Midwest ISO and CAISO, it would appear that FERC does not believe that there are strong legal arguments that would compel priority processing for projects simply because they have been in the queue longer than other projects.

Endnotes
2 See, e.g., Order No. 2003, FERC Stats. & Regs. ¶ 31,146 at 223.
5 Id.
6 Id.
8 Id. at 3.
10 Id.
12 Id.
14 Virginia Electric and Power Co., Virginia State Corporation Commission Case No. PUE-2007-0031, Rebuttal Testimony of Steven R. Herling, at 22 (filed Feb. 5, 2008). More recently, at a transmission planning and development forum, Herling is reported to have indicated that more than 80 percent of queued projects are never developed. See

15 PJM Status Report, at 8.


17 See, e.g., Motion To Intervene and Comments on Technical Conference of Duke Energy Corporation, Docket Nos. AD08-2-000 et al., at 6 (filed Jan. 10, 2008).


21 Id., at 5.


29 Id.


31 As PJM’s Herling is reported to have said recently concerning the likely impact on queue congestion from increased deposits being considered by PJM, “[w]e’re not expecting a lot of change at PJM.... Some, but not a lot.” Transmission Planners Grapple With Adding Wind, at 6. Over 60 interconnection requests in PJM obtained queue dates after PJM filed its queue reform proposal on May 30, 2008, see PJM, Generation Queues: Active, https://www.pjm.com/planning/project-queues/queue-gen-active.jsp.


33 In such case, the third project would initially bear the cost of network upgrades but would later receive transmission credit for funding such upgrades. See, e.g., Order No. 2003-C, FERC Stats. & Regs. ¶ 31,190 Standardized Large Generator Interconnection Agreement section 11.4 (Interconnection Customer shall be entitled to a cash repayment, equal to the total amount paid to Transmission Provider and Affected System Operator, if any, for Network Upgrades).

34 VSCC Order, at 12 (quoting hearing testimony of Steven R. Herling).

35 Indeed, a first-come, first-serve queue is itself an auction, albeit a non-price-based auction. A first-come approach results in an inefficient queue ordering, especially when there are many competitors for a position in the queue, because everyone in the queue incurs waiting costs even if there is no prize to be had when they reach the end of the queue. See Charles A. Holt Jr. and Roger Sherman, When a Queue Is Like an Auction in AUCTIONS, BIDDING AND CONTRACTING: USES AND THEORY, Richard Engelbrecht-Wiggans, et al., Eds. (New York: New York Univ. Press, 1983). In contrast, price-based queuing rules promote queue efficiency because they improve the allocation of existing service facilities by shifting demand from spatial and temporal bottlenecks in a decentralized manner and discourage excessive use of these facilities. See Refael Hassin and Moshe Haviv, TO QUEUE OR NOT TO QUEUE:

The use of priority auctions for queue processing has been a subject of interest in operations research for many years. This research indicates that when potential queue participants have different marginal costs of delay, an auction results in an equilibrium where higher marginal costs lead to a higher bid, and that an efficient queue allocation calls for higher processing priority to be awarded to queue participants with higher marginal costs. See, e.g., Philipp Afeche and Haim Mendelson, Pricing and Priority Auctions in Queuing Systems with a Generalized Delay Cost Structure, 50 MGMT. SCI. 869 (2004).

It could be argued that the right to an interconnection (i.e., the right to physically interconnect a project to the grid) is a potentially scarce good that could be allocated through a market-based scheme, given the system limitations that would prevent the actual interconnection of all queued projects to the grid. However, for purposes of this article, the authors are suggesting that the scarcity of concern with respect to queues occurs as a result of the overcrowding of queues and the clogging of queue processing, and not because there is a scarcity in the absolute amount of “interconnection capacity.”

An important economic rationale for use of a second-price position auction, as opposed to a first-price auction (in which the highest bidder would pay a price equal to its bid), is that bidders are price-takers in a second-price auction, thereby increasing their incentive to base their bids on their valuation of the thing being auctioned and reducing their incentive to invest in strategies to game the auction, causing unstable outcomes and allocative inefficiencies. Indeed, early experience with first-price auctions for keyword links to Internet search engine results demonstrated that this auction mechanism was unstable (especially because bids could be changed frequently). See Benjamin Edelman, et al., Internet Advertising and the Generalized Second-Price Auction: Selling Billions of Dollars Worth of Keywords, 97 (1) AMER. ECON. REV. 242, 245–46 (2007). Related research also indicates that the gaming encouraged by first-price auction mechanisms can result in lower auction revenues because the costs that bidders incur to game the auction are passed through to the seller. See Id. (citing David McAdams and Michael Schwartz, forthcoming, Who Pays When Auction Rules Are Bent?, International Journal of Industrial Organization) (also available as draft working paper at http://papers.ssrn.com/sol3/papers.cfm?abstract_id=908671).


The establishment of a GSP auction would not necessarily require an elimination of the gating measures and financial requirements included in other reform proposals. Indeed, such an auction could complement some of these reforms and allow them to be more specifically targeted and justified, e.g., study deposits based on actual estimates of study costs.

See, e.g., Motion to Intervene and Protest of OptiSolar, Inc., Docket No. ER08-1317-000 (filed Aug. 18, 2008) (queue reform processes permitting lower-queued projects to leapfrog ahead of higher-queued projects is inconsistent with the rules relied upon by OptiSolar); Motion to Intervene and Protest of Macquarie Energy North America Trading Inc., Docket No. ER08-1317-000 (filed Aug. 18, 2008) (the proposed timeline for the processing interconnection requests unfairly disadvantages projects relegated to the second study group vis-à-vis similarly situated projects in the first study group. Projects in both groups properly relied upon the tariff provisions and study timelines in place at the time the interconnection requests were filed).  
