

**Governor-Elect Rod Blagojevich
Environment, Energy, and Natural Resources Transition Committee
Open Comment Session, December 9th, 2002**

Opportunities and Barriers for Combined Heat and Power in Illinois
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The MW CHP INITIATIVE, an ad-hoc coalition of over 25 companies in the Midwest formed to remove marketplace barriers and accelerate clean CHP deployment. Illinois participants in the Initiative include the Delta Institute, Enercon Engineering, the Energy Resource Center of the University of Illinois at Chicago, the Environmental Law and Policy Center of the Midwest, the Gas Technology Institute, the Illinois Department of Commerce and Community Affairs, LaCledde Gas Company, and Peoples Energy – other influencers include the US DOE, Chicago Regional Office, and the U.S EPA – Headquarters and Region 3. The MW CHP Initiative is working with the MW CHP Application Center, a DOE sponsored Education and outreach organization headed at UIC's ERC, and the MW Cogeneration Association (a trade organization) to eliminate barriers to clean CHP deployment.

As we move into the future for power generation, it seems highly unlikely that we can afford to continue to burn our natural resources for power generation with end resulting efficiencies of less than 25% (after line losses). It seems we will move to a future where we get the biggest bang for each natural resource with low output of emissions. We see this happening now with CCST plants for central generation – and also with Combined Heat and Power – a distributed energy technology.

Combined Heat and Power (CHP) can and should be an important part of the State's future energy mix. Through its unmatched ability to capture and recycle the heat that is normally lost in the process of generating electricity, CHP can more than double energy efficiency. Used properly, CHP can bridge the gap between traditional and renewable energy sources. This commercially ready, proven technology is already installed in hospitals, universities, office buildings, and manufacturing facilities in Illinois and throughout the world. It's importance to our future Energy needs is noted by CHP's prominence in our National Energy Policy, our Illinois State Energy Policy, and the Chicago Energy Plan.

Designed to complement central power generation and provide for sustainable healthy utilities, CHP is particularly advantageous in situations where there is high electric demand, a need for reliable, high quality power, and where opportunities exist for thermal recovery (i.e., building heating and cooling or industrial process). Businesses, industries, cities, and municipalities that build CHP enjoy energy cost savings, improvements in power reliability, as well as opportunities for "greening our communities".

CHP offers distinct opportunities to strengthen Illinois's power infrastructure, improve conservation of our natural resources, reduce the negative impact of energy generation on our environment, and increase energy security and independence.

Though many companies in Illinois are reaping the benefits of CHP, its application has been limited at best. Many legal, regulatory, information, and perceptual barriers block development of CHP and other innovative renewable energy technologies. Because of these barriers consumers are not receiving access to or the benefit of these technologies and the country is missing out on an available solution to our energy and environmental goals.

The MWCHP Initiative and Application met with the Illinois Commerce Commission on October 2nd 2002 and presented "The Role of Combined Heat and Power in Illinois' Energy Future". The presentation presented benefits and obstacles to CHP in Illinois and recommended the following actions:

- Expedite the adoption of uniform interconnection standards for small distributed generation in Illinois (including network issues)
- Convene workshops to study standby charge issues and tariffs to recognize the benefits of CHP and distributed generation

It should be noted that the above recommendations are not only essential for deployment of CHP, but are also critical for installations of renewable and other innovative energy technologies such as wind, solar, and fuel cells. Without uniform interconnection standards in place, it could be considered doubtful that we can reach our state Renewable Portfolio Standard goals.

The lack of uniform interconnection standards have been identified as one of the leading obstacles to deployment of distributed resources in Illinois and throughout the U.S. As a result, innovative regulation has been passed in Texas, and New York, with a recent draft being issued in Wisconsin. In addition FERC is in the process of adopting interconnection standards for small DG (for the transmission and wholesale distribution markets), IEEE has recently approved IEEE 1547 on Interconnection of DR, and NARUC has issued guidance on this issue. With these evolutions, it appears that the time is ripe for similar proceedings to take place in Illinois.

One aspect that appears unique to Illinois is difficulties interconnecting to the "network" grid in the Chicago Loop. Though similar networks exist elsewhere in the country, it appears that only in Chicago are all attempts to interconnect to the "network" routinely disapproved by the utility. Addressing network issues will be key to the successful development of uniform interconnection standards in Illinois.

At the hearing on October 2nd, 2002, Commissioner Harvill took an action to request a report on Interconnection from his staff. To promote the deployment of clean CHP, distributed energy and renewable energy technologies with a smooth transition between administrations, it is recommended that the Transition Committee consider the following:

- Take appropriate action to ensure adoption and development of uniform interconnection standards (including network issues) is a key priority action with the Commission and its staff. It is recommended that the Transition Committee consider setting a date of June 30, 2003 for the issuing of the first draft of these standards (Requested at October 2nd 2002 ICC Hearing).
- Take appropriate action to ensure workshops are convened in 2003 to study standby charge issues and tariffs that recognize the benefits of CHP and distributed generation (Requested at October 2nd 2002 ICC Hearing)
- Maintain the recommended actions of the Illinois Energy Policy on Distributed Generation (19-22), Efficiency and Demand Reduction (30-33) and Renewables (34-40) and put action in place to monitor the State's progress on these issues.

The MW CHP Initiative appreciates this opportunity to provide input to the Governor-Elect's Transition Plan on Energy and the Environment. Thank you for your time.

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