

## **Standardized Large Generator Interconnection Final Rule Fact Sheet**

FERC Docket No. RM02-1-000

July 23, 2003

### **FERC's Interconnection Rule**

- FERC's Interconnection Rule applies to generators larger than 20 megawatts that want to interconnect to a transmission facility covered by a FERC-approved open access transmission tariff.
- A separate rule is being proposed for generators no larger than 20 megawatts.

### **Development of FERC's Interconnection Rule**

- A coalition of stakeholders – generators, transmission providers, and state utility regulators – helped develop a draft rule.
- The main features of FERC's Interconnection Rule came from this consensus process.
- Over 170 comments by interested parties were submitted in response to the rule.
- The adjustments in the Final Rule were in response to these comments and technical conferences.

### **The Purpose of FERC's Interconnection Rule**

- Reduce overall cost of electricity to customers.
- Expedite the development of new generation infrastructure.
- Facilitate the introduction of new technologies.
- Ease entry for competitors while promoting more efficient siting decisions.
- Reduce the time and cost to interconnect, for generators and transmission providers alike.
- Limit opportunities for transmission providers to favor their own generation.
- Preserve reliability and safety of the transmission provider's transmission system.

### **How FERC's Interconnection Rule Benefits Generators**

- One set of standardized interconnection procedures and a standard interconnection agreement applies throughout the nation.
- Standardization allows generators to better estimate their costs and time involved for interconnecting to the transmission system. This will reduce their financial risk.

- Generator access to the transmission provider's interconnection study databases allows it to conduct its own interconnection studies, rather than relying on the transmission provider.
- Generators' and transmission providers' legal rights and obligations are clearly set out.

### **How FERC's Interconnection Rule Benefits Transmission Providers**

- Standardized procedures and a standard agreement streamline the interconnection process, saving time and money.
- Standardized interconnection procedures and a standard agreement reduce the burden of negotiating arrangements with generators on a case-by-case basis.
- Clustering of interconnection studies is strongly encouraged. Clustering provides for more efficient study of groups of interconnection applicants, thereby saving time and money.
- Requiring a generator to achieve commercial operation before it can receive a refund for construction costs helps ensure that transmission upgrades are done only for serious interconnection projects.

### **Generator Interconnection Pricing**

- FERC's Interconnection Rule clarifies who pays for interconnection costs when the transmission provider is not independent:
  - The generator pays for facilities on its side of the point of interconnection.
  - The cost of upgrades to the transmission provider's transmission system to accommodate the new generator is initially funded by the generator. The transmission provider then refunds the amounts paid by the generator during the five years following commercial operation of the generator.
- The cost of upgrades to the transmission provider's jurisdictional distribution system to accommodate the new generator is paid for entirely by the generator.
- FERC's Interconnection Rule permits pricing flexibility for a Regional Transmission Organization or an Independent System Operator, including the use of participant funding.
- A RTO or ISO in formation that has an independent transmission administrator may use participant funding for up to one year.

### **Applicability of FERC's Interconnection Rule**

- FERC's Interconnection Rule applies to the interconnection of generators larger than 20 megawatts in size with the approximately 176 investor-owned public utilities that own, control, or operate interstate transmission facilities.
- FERC's Interconnection Rule applies to all interconnections to facilities subject to a transmission provider's open access transmission tariff at the time an interconnection request is made.
- FERC's Interconnection Rule does not affect existing interconnection agreements, which are grandfathered.
- Public utilities must amend their open access transmission tariffs to incorporate the standard interconnection procedures and agreement within 60 days from the date of publication of the Final Rule in the Federal Register.

### **Variations from FERC's Interconnection Rule**

- Public utilities may propose regional variations from the provisions of the rule if the variations are consistently used by all utilities in the region, and if it is demonstrated that the variations are consistent with or superior to the provisions of the rule.
- RTOs and ISOs are permitted considerably more flexibility in proposing regional variations.

### **Dispute Resolution**

- FERC's Interconnection Rule makes extensive provision for dispute resolution between the generator and transmission provider on both an informal and formal basis.
- If a dispute cannot be resolved informally, the parties may agree to binding arbitration or pursue other legal remedies.