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Before Commissioners: Pat Wood, III, Chairman; William L. Massey, and Nora Mead Brownell.

I. Introduction

1. This Final Rule requires all public utilities that own, control or operate facilities used for transmitting electric energy in interstate commerce to have on file standard procedures and a standard agreement for interconnecting generators larger than 20 MW. The Commission expects that this Final Rule will prevent undue discrimination, preserve reliability, increase energy supply, and lower wholesale prices for customers by increasing the number and variety of new generation that will compete in the wholesale electricity market.

2. This Final Rule requires public utilities that own, control, or operate facilities for transmitting electric energy in interstate commerce to file revised open access transmission tariffs (OATTs) to add Standard Large Generator Interconnection Procedures (Final Rule LGIP)¹ and a Standard Large Generator Interconnection Agreement (Final Rule LGIA).² Any non-public utility that seeks voluntary compliance with the reciprocity condition of an open access transmission tariff may satisfy this condition by adopting this Agreement and these procedures.

3. The Final Rule LGIP sets forth the procedures that Interconnection

Customers and Transmission Providers are required to follow during the interconnection process.³ The Final Rule LGIA sets forth the legal rights and obligations of each Party, addresses cost responsibility issues, and establishes a process for resolving disputes.

4. The Federal Energy Regulatory Commission's (Commission's) authority to require the addition of the Final Rule LGIA and Final Rule LGIP to the OATT derives from its findings of undue discrimination in the interstate electric transmission market that formed the basis for Order No. 888.⁴ The Commission here adopts standard procedures and a standard agreement to be used by Transmission Providers with Interconnection Customers proposing to interconnect a generator of more than 20 MW to sell energy at wholesale in interstate commerce. The Final Rule LGIP and Final Rule LGIA apply to any new Interconnection Request to a Transmission Provider's Transmission System.⁵ The Commission is not requiring any retroactive changes to individual (versus generic) interconnection agreements filed with the Commission prior to the effective date of this Final Rule.

A. Background

5. The electric power industry continues to be in transition. Where the industry once comprised mainly large, vertically integrated utilities providing bundled power at cost-based rates, companies selling unbundled wholesale power at rates set by competitive

markets have now become common. Balanced market rules and sufficient infrastructure are essential for achieving power markets that will provide customers with reasonably priced and reliable service.

6. The Commission continues to work to encourage fully competitive bulk power markets. The effort took its first major step with Order No. 888, which required public utilities to provide other entities comparable access to their facilities for transmitting electricity in interstate commerce, and continued with Order No. 2000,⁶ which encouraged the development of Regional Transmission Organizations (RTOs).

7. In this proceeding the Commission, pursuant to its responsibility under Sections 205 and 206 of the Federal Power Act (FPA) to remedy undue discrimination, requires all public utilities that own, control, or operate facilities for transmitting electric energy in interstate commerce to append to their OATTs a Final Rule LGIP and Final Rule LGIA. The Commission believes that these documents will provide just and reasonable terms and conditions of transmission service while ensuring that reliability is protected and that they will provide a reasonable balance between the competing goals of uniformity and flexibility.

1. Need for Standard Generator Interconnection Procedures and Agreement

8. In April 1996, in Order No. 888, the Commission established the foundation necessary to develop competitive bulk power markets in the United States: non-discriminatory open access transmission services by public utilities and stranded cost recovery rules to provide a fair transition to competitive markets. Order No. 888 did not directly address generator interconnection issues.

9. In *Tennessee Power Company*⁷ (Tennessee) the Commission clarified that interconnection is a critical component of open access transmission service and thus is subject to the requirement that utilities offer comparable service under the OATT. In Tennessee the Commission encouraged, but did not require, each Transmission Provider to revise its OATT to include interconnection procedures, including a

³ Unless otherwise defined in this Preamble, capitalized terms used in this Final Rule have the meanings specified in Section 1 of the Final Rule LGIP and Article 1 of the Final Rule LGIA. The term Generating Facility means the specific device for which the Interconnection Customer has requested interconnection. The owner of the Generating Facility is referred to as the Interconnection Customer. The entity (or entities) with which the Generating Facility is interconnecting is referred to as the Transmission Provider. The term Large Generator is intended to refer to any energy resource having a capacity of more than 20 megawatts, or the owner of such a resource.

⁴ Promoting Wholesale Competition Through Open Access Non-Discriminatory Transmission Services by Public Utilities; Recovery of Stranded Costs by Public Utilities and Transmitting Utilities, Order No. 888, 61 FR 21540 (May 10, 1996), FERC Stats. & Regs. ¶ 31,036 (1996), *order on reh'g*, Order No. 888-A, 62 FR 12274 (Mar. 14, 1997), FERC Stats. & Regs. ¶ 31,048 (1997), *order on reh'g*, Order No. 888-B, 81 FERC ¶ 61,248 (1997), *order on reh'g*, Order No. 888-C, 82 FERC ¶ 61,046 (1998), *aff'd in relevant part sub nom. Transmission Access Policy Study Group v. FERC*, 225 F.3d 667 (DC Cir. 2000), *aff'd sub nom. New York v. FERC*, 535 U.S. 1 (2002).

⁵ New Interconnection Requests include those submitted after the effective date of this Final Rule and include requests to increase the capacity of, or modify the operating characteristics of, an existing Generating Facility that is interconnected with the Transmission Provider's Transmission System.

⁶ Regional Transmission Organizations, Order No. 2000, 65 FR 810 (Jan. 6, 2000), FERC Stats. & Regs. ¶ 31,089 (1999), *order on reh'g*, Order No. 2000-A, 65 FR 12,088 (Mar. 8, 2000), FERC Stats. & Regs. ¶ 31,092 (2000), *aff'd sub nom. Public Util. Dist. No. 1 v. FERC*, 272 F.3d 607 (DC Cir. 2001).

⁷ *Tennessee Power Company*, 90 FERC ¶ 61,238 (2002).

¹ Readers may note that provisions of the Final Rule LGIP are referred to as "Sections" whereas provisions of the Final Rule LGIA are referred to as "Articles."

² Such filings must be made within 60 days of publication of this Final Rule in the **Federal Register**.