

standard interconnection agreement and specific criteria, procedures, milestones, and time lines for evaluating Interconnection Requests.⁸

10. The Commission to date has addressed interconnection issues on a case-by-case basis. Although a number of Transmission Providers have filed interconnection procedures as part of their OATTs,⁹ many industry participants remain dissatisfied with existing interconnection policy and procedures. With the increasing number of interconnection-related disputes, it has become apparent that the case-by-case approach is an inadequate and inefficient means to address interconnection issues.

11. Interconnection plays a crucial role in bringing much-needed generation into the market to meet the growing needs of electricity customers. Further, relatively unencumbered entry into the market is necessary for competitive markets. However, requests for interconnection frequently result in complex, time consuming technical disputes about interconnection feasibility, cost, and cost responsibility. This delay undermines the ability of generators to compete in the market and provides an unfair advantage to utilities that own both transmission and generation facilities. The Commission concludes that there is a pressing need for a single set of procedures for jurisdictional Transmission Providers and a single, uniformly applicable interconnection agreement for Large Generators.¹⁰ A standard set of procedures as part of the OATT for all

jurisdictional transmission facilities will minimize opportunities for undue discrimination and expedite the development of new generation, while protecting reliability and ensuring that rates are just and reasonable.

12. Interconnection is a critical component of open access transmission service, and standard interconnection procedures and a standard agreement applicable to Large Generators will serve several important functions: They will (1) Limit opportunities for Transmission Providers to favor their own generation, (2) facilitate market entry for generation competitors by reducing interconnection costs and time, and (3) encourage needed investment in generator and transmission infrastructure. The Commission expects that the Final Rule LGIP and Final Rule LGIA (as well as the documents that will be developed in the Small Generator Interconnection proceeding—see footnote 10, *supra*) will resolve most disputes, minimize opportunities for undue discrimination, foster increased development of economic generation, and protect system reliability. Therefore, the Commission adopts the Final Rule LGIP and Final Rule LGIA, which will be required as an amendment to the OATT of each public utility that owns, controls, or operates facilities for transmitting electric energy in interstate commerce. As discussed below, more flexibility is available to independent transmission entities in the procedures and agreement they must adopt as compared with the standard provisions adopted herein.

2. Interconnection ANOPR

13. The Commission issued an Advance Notice of Proposed Rulemaking (ANOPR) regarding generator interconnection on October 25, 2001.¹¹ As a point of departure, the ANOPR presented the Standard Generator Interconnection Procedures and Standard Generation Interconnection Agreement of the Electric Reliability Council of Texas (ERCOT).¹² The Commission supplemented and modified the ERCOT documents with various “best practices” that were identified in Attachment A to the ANOPR. These “best practices” were based, in part, on generator interconnection procedures and agreements that had been approved by the Commission in past cases. The

ANOPR instructed the commenters and parties to assume that the Commission’s current pricing policy, as described in ANOPR Attachment B, would remain in effect.

14. The ANOPR initiated a consensus-making process in which members of various segments of the electric power industry, government, and the public had an opportunity to provide input. This effort resulted in two documents that largely shaped the Notice of Proposed Rulemaking (Large Generator Interconnection NOPR) that followed.¹³ These two documents are referred to as the Consensus LGIP and Consensus LGIA (although a consensus was not reached on all issues). The Commission received numerous comments, primarily from Transmission Providers, Transmission Owners, generators (herein called Interconnection Customers), and state regulators, on the ANOPR and the Consensus LGIP and Consensus LGIA.

3. Interconnection NOPR

a. Overview of the NOPR

15. Although the negotiators did not reach consensus on every issue, the Consensus LGIP and LGIA reflect substantial agreement among diverse interests. The Commission used these documents and the comments on them to create the proposed standard LGIP and LGIA documents (NOPR LGIP and NOPR LGIA). Generally, the NOPR used the Consensus LGIP and LGIA provisions where there was agreement. Where the participants could not reach consensus on a particular issue and options were presented in the Consensus LGIP and LGIA, the Commission chose between those options guided by the principle of minimizing barriers to entry of new generation without increasing the risk of reliability problems. Where an issue remained unresolved and no option was presented, the Commission generally proposed the ERCOT provision.

b. Severing of Small Generator Issues From the NOPR

16. In their comments on the interconnection NOPR, supporters of Small Generators (which are defined herein as devices for the production of electricity having a capacity no more than 20 MW) requested that the Commission adopt separate rules and procedures for interconnecting Small Generators. They argued that use of a Final Rule LGIP and Final Rule LGIA

⁸ See, e.g., *Commonwealth Edison Co.*, 91 FERC ¶ 61,083 (2000).

⁹ See, e.g., *American Electric Power Service Corp.*, 91 FERC ¶ 61,308 (2000), *order denying reh’g and granting clarification*, 94 FERC ¶ 61,166, *order dismissing request for clarification*, 95 FERC ¶ 61,130 (2001), *appeal docketed sub nom. Tenaska, Inc. v. FERC*, No. 01–1194 (DC Cir. Apr. 23, 2001); *Southwest Power Pool, Inc.*, 92 FERC ¶ 61,109 (2000); *Carolina Power & Light Co.*, 93 FERC ¶ 61,032 (2000), *reh’g denied*, 94 FERC ¶ 61,165 (2001), *appeal docketed sub nom. Tenaska, Inc. v. FERC*, No. 01–1195 (DC Cir. Apr. 23, 2001); *Virginia Electric & Power Co.*, 93 FERC ¶ 61,307 (2000), *order on clarification*, 94 FERC ¶ 61,045, *reh’g denied*, 94 FERC ¶ 61,164 (2001), *appeal docketed sub nom. Tenaska, Inc. v. FERC*, No. 01–1196 (DC Cir. Apr. 23, 2001); *Consumers Energy Co.*, 93 FERC ¶ 61,339 (2000), *order on reh’g and clarification*, 94 FERC ¶ 61,230, *order on clarification and denying reh’g*, 95 FERC ¶ 61,131 (2001).

¹⁰ In another rulemaking, the Commission proposes a separate set of procedures and an agreement applicable to Small Generators (any energy resource having a capacity of no larger than 20 MW, or the owner of such a resource) that seek to interconnect to jurisdictional Transmission Providers. See *Standardization of Small Generator Interconnection Agreements and Procedures*, Notice of Proposed Rulemaking, Docket No. RM02–12–000 (issued concurrently with this Final Rule). 104 FERC ¶ 61,104.

¹¹ *Standardizing Generator Interconnection Agreements and Procedures*, Advance Notice of Proposed Rulemaking, 66 FR 55140 (Nov. 1, 2001), FERC Stats. & Regs. ¶ 35,540 (2001).

¹² The ERCOT agreement and procedure were appended to the ANOPR as Appendix A.

¹³ *Standardization of Generator Interconnection Agreements and Procedures*, Notice of Proposed Rulemaking, 67 FR 22250 (May 2, 2002), FERC Stats. & Regs. ¶ 32,560 (2002).