

competing needs for, on the one hand, maintaining electric system reliability and, on the other hand, encouraging increased generation, including generation using innovative technologies. To encourage small generators to participate in the interstate wholesale market, the interconnection process should be affordable and the terms and conditions should be clear, but these goals must not compromise the reliability of the electric system.

C. Large Generator Interconnection Rulemaking

12. The Commission issued an Advance Notice of Proposed Rulemaking (ANOPR) in Docket No. RM02-1-000⁹ (Large Generator Interconnection ANOPR) that was originally intended to develop standard generator interconnection procedures and a standard agreement for generators of all sizes. The Commission also initiated a collaborative process in which members of the electric industry and government (collectively, stakeholders) could draft standard interconnection procedures and interconnection agreement documents. Public meetings of these stakeholders culminated in the development of a Large Generator Interconnection Procedures (Consensus LGIP) and a Large Generator Interconnection Agreement (Consensus LGIA), which were filed with the Commission.¹⁰

13. The Commission then issued a Large Generator Interconnection NOPR.¹¹ The Commission proposed standard interconnection procedures for generators, which is referred to here as the Proposed LGIP. It also proposed a standard interconnection agreement for all generators, which is referred to here as the Proposed LGIA. Both would be incorporated into existing and future OATTs. The Proposed LGIP and Proposed LGIA generally followed the consensus documents filed with the Commission, but the Commission also resolved, for purposes of the NOPR, several issues that were left unresolved in the consensus documents. A Large Generator Interconnection Final Rule is

being issued concurrently with the issuance of this NOPR.

D. Small Generator Interconnection ANOPR, Process, and Comments

14. Although the Proposed LGIP and Proposed LGIA provided for the expedited treatment of Small Generating Facilities, some commenters argued that the Commission should adopt separate standard interconnection procedures and agreements that address the unique concerns of Small Generators.¹² Small Generator Commenters proposed simplified standard procedures and agreements that would allow quicker, less costly, and simpler interconnection for Small Generating Facilities no larger than 2 MW, and different procedures and agreements for units larger than 2 MW but no larger than 20 MW. Persuaded that different procedures and agreements for Small Generators are needed, we severed consideration of Small Generating Facilities from the Large Generator Interconnection rulemaking and issued its Small Generator Interconnection ANOPR in August 2002.¹³

15. The Small Generator Interconnection ANOPR proposed two small generator interconnection procedures and two small generator interconnection agreements, with the distinction between the two sets of documents being the size of the Small Generator. These documents (hereafter, respectively, ANOPR SGIPs and ANOPR SGAs) were offered by the Small Generator Commenters in their comments to the Large Generator Interconnection NOPR. We encouraged interested parties to pursue consensus on the ANOPR SGIPs and ANOPR SGAs. To that end, the Commission convened a series of public meetings designed to enable the parties to discuss and reach as much agreement as possible.

16. The public meetings culminated in the negotiating parties¹⁴ preparing two sets of standard small generator interconnection procedures and agreements (Coalition SGIPs and

Coalition SGAs, respectively) and submitting them to the Commission in November 2002. While the Coalition members reached consensus on some issues, significant disagreements remained. The documents nonetheless helped inform the Commission of the various challenges that confront both the owners of Small Generators and Transmission Providers. Public comments on the Small Generator Interconnection ANOPR were filed in December 2002.

II. Discussion

17. The results of the negotiations during the Small Generator Interconnection ANOPR process, the ANOPR comments, and the technical conference on queuing form the basis for the Proposed SGIP and Proposed SGA that are included in this NOPR.

18. Coalition members drafted two Coalition SGAs, one for Small Generating Facilities no larger than 2 MW, and a second for Small Generating Facilities larger than 2 MW but no larger than 20 MW. Likewise, they developed two sets of Coalition SGIPs. Although there was significant overlap between the two Coalition SGAs as well as the two Coalition SGIPs, the Coalition members did not consolidate these four documents. To simplify the interconnection process and eliminate duplication, this NOPR offers a single Proposed SGIP and a single Proposed SGA. The former incorporates different procedures for the processing of Interconnection Requests for Small Generating Facilities of various sizes.

19. Coalition members were often unable to reach consensus on an issue and the Commission needed to resolve the issue for the purpose of this NOPR. The Commission carefully evaluated the positions the Coalition members presented in the November 2002 consensus document as well as the ANOPR comments filed the following month. The Commission also acknowledges that NARUC has developed a model small generator interconnection procedures and agreement that is similar in many ways to the proposal contained in this NOPR. The NARUC model and its comments were very helpful in the development of this proposal.

20. Also, where appropriate, we are proposing some provisions and definitions identical or similar to those in the Large Generator Interconnection Final Rule (and the OATT) to ensure as much consistency as is reasonable between the large and small generator

⁹ Standardizing Generator Interconnection Agreements and Procedures; Advance Notice of Proposed Rulemaking, 66 FR 55140 (Nov. 1, 2001), FERC Stats. & Regs. ¶ 35,540 (2002). The previously cited rulemaking is referred to here as the Large Generator Interconnection rulemaking, to distinguish it from the Small Generator Interconnection rule proposed here.

¹⁰ While these consensus documents reflected significant agreement, they also identified disputed provisions and left a number of issues unresolved.

¹¹ Large Generator Interconnection NOPR, IV FERC Stats. & Regs. ¶ 32,560 (2002).

¹² Those commenters included The Solar Energy Industries Association, the U.S. Fuel Cell Council, the American Solar Energy Society, the U.S. Combined Heat and Power Association, the International District Energy Association, and the American Wind Energy Association (collectively, Small Generator Commenters).

¹³ Standardization of Small Generator Interconnection Agreements and Procedures; Advance Notice of Proposed Rulemaking, 67 FR 54749 (Aug. 26, 2002), FERC Stats. & Regs. ¶ 35,544 (2002).

¹⁴ The negotiating parties included representatives of small generators, the National Association of Regulatory Utility Commissioners, and transmission and distribution providers (collectively, "Coalition").