

ISO where the Transmission Provider is not the Transmission Owner, the RTO's or ISO's compliance filing would be able to propose a modified interconnection agreement that provides different respective rights and obligations in the region. In other cases, we do not believe that the three party agreement would create an undue burden for either entity. Accordingly, the Commission proposes to require that both the Transmission Owner and the Transmission Provider, if applicable, sign the SGIA.

#### 9. Affected Systems (Proposed SGIP Section 2.8)

65. The Coalition's proposal acknowledges that the interconnection of a Small Generator with a Transmission Provider's Transmission System may directly or indirectly affect other electric systems. Interconnection Customers generally prefer that the Transmission Provider be responsible for coordinating and performing all necessary Interconnection Studies and equipment Upgrades with the owner or operator of the Affected System.<sup>32</sup> Interconnection Customers also prefer that their interconnections not be made conditional on the completion of these studies and Upgrades. Transmission Providers, however, maintain that while they would use their best efforts to coordinate and complete necessary Affected System Interconnection Studies and Upgrades in time for the interconnection of a Small Generator, they cannot compel the owner/operator of the Affected System to perform within the specified time lines.

66. The Commission proposes to continue treating interconnection and delivery as separate aspects of transmission service and allowing Interconnection Customers to request interconnection separately from the delivery component of transmission service. In the vast majority of circumstances, interconnection alone is unlikely to affect the reliability of another electric system, especially if the generator being interconnected is a Small Generator. However, in those rare instances in which the mere interconnection itself may cause a reliability or safety problem on an Affected System, the Commission proposes to adopt the approach of Order No. 888 for Upgrades required to protect Affected Systems from reliability

problems due to delivery service.<sup>33</sup> Under Order No. 888, the Transmission Provider is required to assist the customer in coordinating with the Affected System any Upgrades needed to protect the reliability of that system.<sup>34</sup> Also, we will allow the Transmission Provider to coordinate completion of Network Upgrades to its own Transmission System with the completion of the necessary Affected System Upgrades.<sup>35</sup>

67. Under Order No. 888, economic losses (*i.e.*, extra generating costs from having to redispatch generation) do not justify delaying the provision of the delivery component of transmission service, and the Commission proposes to adopt the same standard here for interconnections. As mentioned in the OATT, the Commission's Dispute Resolution Service is available should the Interconnection Customer wish to challenge the Transmission Provider's decision to delay construction pending completion of the Affected System's Upgrades.<sup>36</sup>

68. We also note that NERC Planning Standards already provide that Transmission Providers should work together to minimize effects on each other's systems. Whenever a Transmission Provider adds its own new generation to its Transmission System, it may cause reliability or safety effects on other systems that require coordination with the Affected Systems. A Transmission Provider must offer any Interconnection Customer service that is comparable to the service it provides for interconnections of its own generation.

69. The Commission notes that the proposed treatment of Affected Systems is comparable to that contained in the Large Generator Interconnection Final Rule and requests comments on if and why this approach should be modified for Small Generator interconnections.

<sup>33</sup> See section 21 of the OATT. See also Tampa Electric Co., 103 FERC ¶ 61,047 (2003), and Nevada Power, 97 FERC ¶ 61,227 (2001), *reh'g denied*, 99 FERC ¶ 61,347 (2002); but see American Electric Power Service Corporation, 102 FERC ¶ 61,336 (2003).

<sup>34</sup> Section 21.1 of the OATT states that: "The Transmission Provider will undertake reasonable efforts to assist the Transmission Customer in obtaining such arrangements, including without limitation, provide any information or data required by such other electric system pursuant to Good Utility Practice."

<sup>35</sup> Section 21.2 of the OATT states that: "Transmission Provider shall have the right to coordinate construction on its own system with the construction required by others. The Transmission Provider, after consultation with the Transmission Customer and representatives of such other systems, may defer construction of its new transmission facilities, if the new transmission facilities on another system cannot be completed in a timely manner."

<sup>36</sup> See Section 21.2 of the OATT.

#### 10. Pricing/Cost Recovery for Upgrades (Proposed SGIA Article 5)

70. The Commission's current interconnection pricing policy for Transmission Systems that are operated by non-independent entities is to allocate the costs of the new facilities based on whether they are at or beyond the Point of Interconnection. Those transmission facilities that are at or beyond the Point of Interconnection are considered Network Upgrades, and are initially paid for by the Interconnection Customer. The costs are then refunded to the Interconnection Customer by the Transmission Provider in the form of transmission credits (with interest), with the result being that the costs of the Network Upgrades are rolled into the prices paid by all transmission customers.<sup>37</sup> Interconnection Facilities (meaning facilities on the Generating Facility's side of the Point of Interconnection) are considered sole use facilities and, accordingly, are directly assigned to and paid for by the Interconnection Customer.<sup>38</sup> Consistent with the Large Generator Interconnection Final Rule, we propose to retain this current pricing policy for Small Generating Facilities interconnecting with a Transmission System operated by a non-independent entity. The Commission seeks comments on whether this approach is appropriate for Small Generator interconnections. We also invite commenters to recount their recent experiences with interconnecting distributed generators to the Distribution System, in particular the process for determining whether Distribution Upgrades were necessary, and the cost assignment of those Upgrades.

71. For the Transmission Provider, such as an RTO or ISO, that is an independent entity, our current policy, and the policy that we adopted in the Large Generator Interconnection Final Rule, is to allow flexibility regarding the interconnection pricing policy that an independent entity may propose to adopt, subject to Commission approval. Also in that Final Rule, we permitted a Regional State Committee to establish criteria that an independent entity would use to determine which transmission system upgrades, including those required for generator interconnections, should be subject to incremental pricing ("participant funding") and which should not. The

<sup>37</sup> See Consumer Energy Co., 95 FERC ¶ 61,233, *reh'g denied*, 96 FERC ¶ 61,132 (2001).

<sup>38</sup> See Public Service Company of Colorado, 59 FERC ¶ 61,311 (1992), *reh'g denied*, 62 FERC ¶ 61,013 (1993).

<sup>32</sup> The Proposed SGIA and the Proposed SGIP define Affected System as "an electric system other than the Transmission Provider's Transmission System that may be affected by the proposed interconnection."