



Federal Energy Regulatory Commission

April 19, 2018

Open Commission Meeting

Staff Presentation

Items: E-2

"Good morning Mr. Chairman and Commissioners,

"Item E-2 is a draft Final Rule to enhance certainty, transparency, and efficiency in the generator interconnection process. It adopts ten of fourteen reforms proposed in the Commission's December 15, 2016 Notice of Proposed Rulemaking - or NOPR - in Docket RM17-8-000. Specifically, the draft Final Rule revises the *pro forma* Large Generator Interconnection Procedures and the *pro forma* Large Generator Interconnection Agreement, which apply to generators larger than 20 megawatts.

"The *pro forma* interconnection procedures and agreement were established in 2003 when the Commission issued Order No. 2003. Since that time, the electric power industry has undergone significant changes that have contributed to inefficiencies in the generator interconnection process. These inefficiencies include backlogs in interconnection queues, long timelines to process interconnection requests, and late-stage withdrawals of interconnection requests that can lead to cascading interconnection restudies, which can lead to even more withdrawals. At the same time, transmission providers have expressed concern that the interconnection study process can be difficult to manage because some interconnection customers submit interconnection requests for new facilities that have little chance of reaching commercial operation. The draft Final Rule explains that unless these issues are addressed, existing defects and inefficiencies in the generator interconnection processes could become worse, resulting in longer delays in generator development, higher costs to customers, more uncertainty in the process, and less competition in the market.

"To improve certainty for interconnection customers, this draft Final Rule adopts reforms that: (1) remove a limitation on an interconnection customer's ability to construct interconnection facilities and stand alone network upgrades; and (2) require that all transmission providers establish more-accessible interconnection dispute resolution procedures.

"To improve transparency and to promote more informed interconnection decisions, this draft Final Rule adopts reforms that: (1) require transmission providers to outline and make public a method for determining contingent facilities; (2) require transmission providers to list the study processes and assumptions for forming the network models used for interconnection studies; (3) revise the definition of "Generating Facility" to explicitly include electric storage resources; and (4) establish reporting requirements for aggregate interconnection study performance.

"To enhance the efficiency of the interconnection process, this draft Final Rule adopts reforms that: (1) allow an interconnection customer to request a level of interconnection service that is lower than its generating facility capacity; (2) require transmission providers to allow for provisional interconnection agreements that provide for limited operation of a generating facility prior to completion of the full interconnection process; (3) require transmission providers to create a process for the use of surplus interconnection service; and (4) require transmission providers to set forth a procedure to assess and, if necessary, study changes in an interconnection customer's proposed technology that occur during the interconnection process to determine if such changes would constitute a material modification.

"The reforms that improve certainty provide potential cost and time efficiencies to interconnection customers. The transparency reforms make information more timely and accessible to transmission customers thereby potentially reducing the number of interconnection requests for projects that are unlikely to reach commercial operation. These reforms will thus facilitate the transmission providers' efforts to manage the interconnection queue on a timely basis. The efficiency and enhancement

reforms facilitate the use of existing interconnection, mitigate the likelihood of unnecessary upgrades and related costs, provide paths to bring generation online more quickly, and allow for the incorporation of technological advancements into an interconnection request.

“Based on the comments received on the NOPR as well as other factors, the draft Final Rule declines to adopt four proposed reforms related to requiring periodic restudies, self-funding of network upgrades, the posting of congestion and curtailment information, and the modeling of electric storage resources.

The NOPR raised two additional issues, cost caps for network upgrades and affected system coordination, requesting comments without proposing specific reforms or actions. The draft Final Rule takes no action on these two issues. The draft Final Rule notes that affected systems coordination was addressed in a separate proceeding which included a staff-led technical conference earlier this month. Stakeholder comments have been requested in that proceeding.

“The draft Final Rule becomes effective 75 days after publication in the Federal Register, and requires compliance filings to be filed at the Commission within 90 days of its publication in the Federal Register.

“Thank you, and we are happy to answer any questions you may have.”