

Client Alert

January 2013

FERC Rulemaking Proposes to Facilitate and Expedite Small Generator Interconnections

In response to solar industry concerns that its regulations were stifling the country's solar energy development, the Federal Energy Regulatory Commission initiated a rulemaking on January 17 to amend its regulations applicable to the interconnection of facilities of 20 MW or less to the grid. In the Notice of Proposed Rulemaking (NOPR), the Commission proposed four reforms to its Small Generator Interconnection Procedures (SGIP), which govern the procedures that a developer must follow to interconnect its project to the grid of a transmission provider, and to the *pro forma* Small Generator Interconnection Agreement (SGIA), which governs the ongoing relationship between the developer, the transmission provider and the transmission owner.

In the NOPR, the Commission preliminarily found that its proposed reforms, described below, were "needed to ensure that the rates, terms, and conditions of interconnection service for any Small Generating Facilities are just and reasonable and not unduly discriminatory or preferential."

- ***A developer will be allowed to request from the transmission provider a pre-application report that provides information about system conditions at various possible points of interconnection, including total and available capacity, existing and queued generation, and the voltage of the facilities that serve the points of interconnection.*** Providing this information at an early stage in the interconnection process will help the developer evaluate possible points of interconnection before submitting a formal interconnection request, thereby increasing the efficiency of the interconnection process for both parties.
- ***Projects up to 5 MW will be eligible for participation in the Fast Track Process to interconnect to the grid based on individual system and generator characteristics.*** This is an increase from the current 2 MW threshold. According to the Commission, the amendments to the Fast Track Process eligibility requirements balance the developer's need for a more efficient and cost-effective interconnection process with the transmission provider's safety and reliability obligations.
- ***Projects that do not pass the Fast Track screens will have increased opportunities under the revisions proposed by the Commission to the customer options meeting and the supplemental review.*** The Commission proposes to require, for example, that the transmission provider offer to perform facility or other minor modifications to its system and provide an estimate to the developer of the cost of such modifications. Upon the developer's agreement to pay for the modifications, the transmission provider will provide an SGIA to the developer for execution within 5 days.
- ***Similar to rights available under the Large Generation Interconnection Procedures, a developer will have the chance to review and provide comments on the upgrades necessary for the interconnection, although the transmission provider will have the final decision on the required upgrades.*** This, according to the Commission, will prevent unjust and unreasonable costs from being passed onto the developer.

Commissioner Cheryl A. LaFleur commented that the proposed reforms are consistent with the Commission's ongoing responsibility to ensure that its policies "remain just, reasonable, and not unduly discriminatory in light of ongoing changes in the nation's power supply. As the country's generation mix continues to evolve, the Commission must ensure that its policies do not saddle customers with unnecessary costs or raise artificial barriers to new sources of energy." Commissioner LaFleur noted that the time of the NOPR was timely and appropriate, given the increase in states with renewable portfolio goals and the steady growth of installed solar capacity.

Commissioner John R. Norris pointed to the number of entities interested in smaller scale power generation as a sign that more people are "involved in helping solve our nation's energy challenges," and are seeking to do so through the use of "carbon-free resources like solar PV and wind." Commissioner Norris noted that the original regulations were designed "with an eye to the future" and with the recognition that they would be used as a model for state interconnection rules at the distribution level.

The Commission established a 120-day period for comments and, to facilitate discussion of the proposed reforms, will hold a workshop for stakeholders before the end of the comment period.

For more information about this rulemaking or other generator interconnection issues, please contact one of our attorneys:

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