

- The Rulemaking Process
  - ANOPR October 2001 initiating a stakeholder negotiation process
  - Consensus document filed January 2002
  - NOPR issued April 2002
  - More than 170 entities filed comments
  - Order 2003 issued July 2003 with effective date of November 2003
    - Almost 50 requests for rehearing
  - In September 2003, FERC delayed effective date for 90 days to January 20, 2004
  - March 5, FERC issued Order on Rehearing (2003-A)
    - About 10 requests for rehearing of Order 2003-A

# Large Generator Interconnection Final Rule

## FERC Objectives

- FERC’s Policy Objectives In Order 2003
  - Reduce overall cost of electricity to customers, including the cost of renewable energy
  - Reduce interconnection time and costs
  - Prevent undue discrimination in interconnections
  - Increase energy infrastructure
  - Ease entry for competitors while promoting more efficient siting decisions
  - Clarify pricing of transmission enhancements for interconnections
  - Preserve reliability of the transmission system
  
- FERC Policy Statements in Order 2003-A
  - Reaffirms the legal and policy conclusions on which Order 2003 is based
    - Prevent undue discrimination
    - Preserve reliability
    - Increase energy supply
    - Lower wholesale prices to consumers
    - Reduce delays and lack of standardization of the interconnection process that is “stifling the growth of competitive energy markets”



## Key Elements of Order 2003-A

- Reaffirms that FERC’s “existing pricing policy” continues to apply to non-independent Transmission Providers
  - “At or beyond test” to define network upgrades
  - Interconnection Customer receives credits for Network Upgrades
  - Non-jurisdictionals not required to provide credits
- Reaffirms that a non-public utility that has a "safe harbor" Tariff must add to that Tariff an interconnection agreement and interconnection procedures that substantially conform to or are superior to the LGIP and LGIA if it wishes to continue to qualify for "safe harbor" treatment
  - Non-public utility must treat upgrade payments in a manner comparable to how it treats its own upgrade costs.
- Clarifies continued application of the “or” test
- Reaffirms requirement that generator finance network upgrades



## Key Elements of Order 2003-A cont.

- Significant changes intended to protect transmission provider against stranded costs and ensure that native load customers will not subsidize network upgrades required to interconnect merchant generation
  - CHANGE: Credits now only required for transmission delivery service taken with respect to the interconnecting Generating Facility
  - CHANGE: No accelerated refund of credits (5 year payback is optional)
  - CHANGE: Credits on affected systems only if transmission service taken on those systems
- Reaffirms that Transmission Provider must offer both Energy Resource and Network Resource Interconnection Service
  - “each Transmission Provider must include in a subsequent compliance filing a general description and justification of its proposed approach to Network Resource Interconnection Service”



## Key Elements of Order 2003-A cont.

- Removes section on Generator Balancing Service Agreements
- Reaffirms transmission provider is not required to agree to liquidated damages
- Exempts wind generators from Power Factor design criteria
- Requires Transmission Provider that pays affiliated generators for reactive power service within the established range must also pay the Interconnection Customer
- Adds Appendix G: Requirements of Generators Relying on Newer Technologies

## Summary of TBL Red-lined Variations From Pro Forma LGI Procedures

- Incorporate compliance with National Environmental Policy Act (See articles 9 and 11.2)
- Delete provision under which Interconnection Customer may request that the transmission provider file an unexecuted interconnection agreement with FERC for resolution of disputes concerning the terms of the LGIA (See articles 3.4, 11.2, 11.3 and 11.4)
  - Retain Administrator's statutory responsibility to maintain reliability of the transmission system
- Reformat and add detail to interconnection request form (Appendix 1, Attachment A) and study agreement forms
  - Easier table format
  - Defer some technical data until system impact study
  - Additional data requested
  - **Based on recent FERC actions, we are now considering returning to pro forma Exhibits and making our revised format and data protocols optional**

## Summary of TBL Red-lined Variations From Pro Forma LGI Agreement cont.

- Delete provision for filing Agreements with FERC (See articles 2.1 and 2.3.3)
  - BPA does not file its contracts with FERC
- Revise certain provisions to conform with BPA’s reliability requirements and those of the WECC (See articles 4.3, 4.3.1, 5.4, 6.4, 7.4, 9.2, 9.6.1, 9.6.2.1, and 9.7.4.1)
- Delete articles on income taxes, which do not apply (See articles 5.17)
- Delete provision under which the Transmission Provider agrees to complete the facilities by a “date certain” (See article 5.1.2)
- Delete the provisions under which the Transmission Provider is liable for liquidated damages for failing to construct the interconnection facilities by a contractually agreed time. (See articles 5.1.2, and 5.3)

## Summary of TBL Red-lined Variations From Pro Forma LGI Agreement cont.

- Incorporate standard BPA language on environmental releases (See article 23.)
- Delete article on 30.11 on “Reservation of Rights” under Sections 205 and 206 of the Federal Power Act
  - BPA is not subject to those Sections.
- Defer decision on whether to adopt FERC pricing policy under which costs of network upgrades are not directly assignable to the interconnection customer
  - Adopting FERC policy could result in cost shifts
  - Determined it is advisable to conduct a review of proposed change under procedures specified in Section 7(i) of the Northwest Power Act
  - Plan to consider changes in direct assignment guidelines as part of the pending transmission rate case, with final decision by the Administrator expected in the summer of 2005.