

HEADLINES

Staff Presentation | Improvements to Generator Interconnection Procedures and Agreements

July 27, 2023

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Good morning, Chairman Phillips and Commissioners,

Item E-1 is a draft final rule that reforms the Commission's standard generator interconnection procedures and agreements. The reforms are intended to address interconnection queue backlogs, improve cost and timing certainty, and prevent undue discrimination for new technologies, thereby ensuring that the *pro forma* generator interconnection procedures and agreements are just and reasonable and not unduly discriminatory or preferential. The Commission initially considered generator interconnection process reforms in its July 2021 Advanced Notice of Proposed Rulemaking (NOPR), and later issued the June 2022 NOPR proposing specific reforms. The NOPR received approximately 3,750 pages of initial comments by October 2022 and 750 pages of reply comments by December 2022, which informed today's draft final rule.

Today's draft final rule builds on Commission Order Nos. 2003 and 2006, in which the Commission first required public utility transmission providers to adopt its standard procedures and agreements for interconnecting large and small generating facilities, and on Commission Order No. 845, in which the Commission added additional study mechanisms and types of interconnection service. The electricity sector has transformed significantly since the Commission first established the *pro forma* documents twenty years ago. The growth of new resources seeking to interconnect to the transmission system, coupled with the existing serial first-come, first-served interconnection study process, has created large interconnection queue backlogs and uncertainty regarding the cost and timing of interconnecting to the transmission system, increasing costs for consumers. Backlogs in the generator interconnection queue, in turn, can create reliability issues as needed, new generating facilities are unable to reach commercial operation in an efficient and timely manner. Accordingly, under the draft final rule, the Commission would revise the *pro forma* generator interconnection procedures and agreements to ensure that interconnection customers are able to interconnect in a reliable, efficient, transparent, and timely manner.

The draft final rule adopts many of the reforms proposed in the June 2022 NOPR with modifications based on the record. The draft final rule declines to adopt the NOPR proposals pertaining to informational interconnection studies, shared network upgrades, the optional resource solicitation study, and the alternative transmission technologies annual report.

Specifically, the draft final rule requires transmission providers to use a cluster study process rather than the currently required serial first-come, first-served study process. A cluster study process is a more efficient way of processing a large interconnection queue because it allows transmission providers to study numerous proposed generating facilities at the same time, rather than study each individual interconnection customer's request separately and serially. Additionally, conducting a single cluster study and cluster restudy each year can minimize delays overall and minimize the risk of cascading restudies when a higher-queued interconnection customer withdraws its request.

As part of the cluster study process, the draft final rule requires increased financial commitments for interconnection customers to enter and remain in the interconnection queue. Specifically, the draft final rule requires interconnection customers to pay increased study deposits, meet more stringent site control requirements, and pay commercial readiness deposits. The draft final rule declines to adopt the non-financial commercial readiness demonstrations proposed in the NOPR. In addition, the draft final rule imposes withdrawal penalties on interconnection customers that withdraw their requests from the interconnection queue. These reforms will discourage speculative, commercially non-viable interconnection requests and allow transmission providers to focus on processing interconnection requests that have a greater chance of reaching commercial operation. The draft final rule also includes a transition process that allows transmission providers to move from the existing serial study process for the most-ready projects in its current queue to the new draft final rule requirements.

The reforms required by this draft final rule also endeavor to increase the speed of interconnection queue processing. First, the reforms would establish *firm* study deadlines for transmission providers by imposing study delay penalties when transmission providers fail to meet their interconnection study deadlines, thereby eliminating the reasonable efforts standard for completing interconnection studies. Second, the reforms would require transmission providers to use a standardized and transparent affected systems study process that includes firm study deadlines and uniform modeling standards.

The draft final rule also includes reforms to incorporate technological advancements into the interconnection process. For example, the reforms would require transmission providers to allow more than one generating facility to co-locate on a shared site behind a single point of interconnection and share a single interconnection request, and would require transmission

providers to use operating assumptions in interconnection studies that reflect the proposed charging behavior of electric storage resources. The reforms would also require transmission providers to evaluate specific alternative transmission technologies in their cluster studies and determine, in the transmission provider's discretion, whether any of these technologies should be used, consistent with good utility practice, applicable reliability standards, and other applicable regulatory requirements. Finally, the draft final rule establishes modeling and ride-through requirements for non-synchronous generators. These modeling and ride-through requirements are consistent with recommendations made by the North American Electric Reliability Corporation to address a number of events involving the unexpected loss or momentary cessation of inverter-based resources during disturbances.

Compliance filings are due 90 days after publication of the final rule in the *Federal Register*.

Thank you, this concludes our presentation. We are happy to address any questions.

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