
FEDERAL ENERGY REGULATORY COMMISSION

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NEWS RELEASE

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FOR IMMEDIATE RELEASE

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STANDARDS PROPOSED TO FACILITATE GENERATOR INTERCONNECTIONS, BOOST INFRASTRUCTURE

Interconnection is a critical component of open access transmission service and the actions taken today are essential for providing the right incentives for both transmission providers and generators, the Federal Energy Regulatory Commission said in issuing a proposed rule on standard interconnection agreements and procedures. The standardization, which resulted from the newly-employed collaborative process, should contribute to a sound infrastructure and energy sufficiency in a fair and open market.

Appropriate standards will encourage needed investment in infrastructure, discourage discrimination, and ease entry for competitors while ensuring efficient siting decisions. In addition, the Commission said, standardized interconnection procedures applicable to all transmission facilities in interstate commerce will expedite the development of new generation, allowing greater customer choice and the development of a seamless, robust and competitive electric power market.

In October 2001, the Commission issued an advanced notice of proposed rulemaking (ANOPR), which generally used the Electric Reliability Council of Texas' (ERCOT) standard interconnection agreement and procedures as a starting point for discussion. At that time the Commission noted that balanced market rules and sufficient infrastructure are essential for achieving a seamless nationwide power market that will provide customers with reasonably priced and reliable service.

The proposed standard generator interconnection agreement (IA) and standard generator interconnection procedures (IP) are proposed as amendments to the open access transmission tariffs (OATTs) of all public utilities that own, operate or control transmission facilities.

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The Commission is also proposing an interconnection reciprocity provision, similar to that found in Order No. 888's OATT. Any non-public utility that wants to take advantage of, or to continue to take advantage of, open access on a public utility transmission system must adopt the IA and IP into its own reciprocity OATT.

The electric power industry continues to be an industry in transition. The Commission is aggressively seeking to ensure that, as the industry evolves, the Commission has in place clear rules of the road and appropriate tools for monitoring the markets.

The Commission held extensive public meetings from November 2001 through January 2002 to discuss key issues and refine the Commission's proposal.

Under today's proposal, the Commission notes that the current interconnection pricing policy was used in negotiating the terms and conditions of the IA and IP. That policy provides that generators would pay the full cost of sole-use direct assignment facilities, and initially pay for any additional network facilities that would be needed as a result of their interconnection request. The generator(s) would later receive compensation for network costs, plus interest, through credits once transmission service begins. The proposal seeks comment on whether the current pricing should be retained and on whether the Commission should depart from its policy of providing credits for transmission providers that are independent of market participants in order to be consistent with the locational pricing method proposed in the Standard Market Design proceeding.

Comments on today's proposal should be submitted to the Commission after the NOPR, Standardization of Generator Interconnection Agreements and Procedures (Docket No. RM02-1-000), is published in the Federal Register.