

Technical Justification: FAC-001-1

Project 2010-07 Generator Requirements at the Transmission Interface

In response to the June 17-July 17, 2011 formal posting of the proposed standard changes in Project 2010-07, the standard drafting team (SDT) received stakeholder comments on FAC-001-1 expressing concern about the feasibility of a Generator Owner receiving and executing an interconnection request on one of its interconnection Facilities, as well as concern about the market-related processes that would go along with such an interconnection request. In this technical justification document, the SDT seeks to further clarify its rationale for making the proposed FAC-001-1 applicable to qualifying Generator Owners.

While the SDT understands that interconnection requests for Generator Owner Facilities are still relatively rare, in the past (for instance, 134 FERC ¶ 61,109 at P. 19 and 134 FERC ¶ 61,064 at P. 13), Generator Owners have received or have been directed to execute interconnection requests for their Facilities. The SDT acknowledges that FERC does not have jurisdiction over all Generator Owners, but realizes that the potential exists for a third party to request to interconnect its planned generator with an existing generator interconnection Facility (whose use at the time of the request is solely to transmit capacity, energy, and ancillary services from the existing generator).

The SDT discussed the various ways such an interconnection could occur and agrees that if the third party interconnection could be accomplished without the need for the existing Generator Owner to develop its own connection requirements and system performance requirements and determine impacts on the interconnected transmission systems, this standard need not apply to the Generator Owner. And the SDT agrees that in many cases, these connection requirements, system performance requirements, and determined impacts on the interconnected transmission systems are currently determined by entities registered as either a Transmission Owner, Transmission Planner, and/or Transmission Service Provider. However, the SDT remains convinced (based on the orders cited above) that there may be occasions where FERC or another regulatory agency compels the Generator Owner to allow a third party to interconnect its planned generator with an existing generator interconnection Facility. Where this occurs, the SDT feels it is necessary for the existing owner of that generator interconnection Facility to provide connection requirements to the third party that requests interconnection. The SDT also believes, and many comments seem to support, that performance requirements and a determination of impact to the interconnected transmission systems need to be evaluated by some entity. The question becomes which entity.

The SDT can only work within the standards development process. We cannot address other regulatory issues such as FERC-mandated open transmission access (Order 888 and subsequent) or state or provincial jurisdiction over generation or transmission assets. While we acknowledge these

mechanisms exists and may come into play in the scenarios described in the proposed FAC-001-1, we as the SDT can only deal within the context of reliability standards. For this reason, R2 indicates that FAC-001-1 applies only when a Generator Owner has an executed Agreement to evaluate the reliability impact of interconnecting a third party Facility to the Generator Owner's existing Facility. The SDT's reasoning here is that if the owner of the existing generator interconnection Facility agrees, or is compelled, to allow a third party to interconnect, and can do so using existing agreements, contracts, and/or tariffs (and thereby avoid having an executed Agreement to evaluate the reliability impact of interconnecting third party Facility to the Generator Owner's existing Facility), and thus avoid having to develop its own connection requirements or perform impact studies, it will. In this example, it is likely that the existing Transmission Owner, Transmission Planner, and/or Transmission Service Provider processes and Agreements will be utilized and the purpose of FAC-001-1 will be met without applying this standard to the Generator Owner.

If, on the other hand, the owner of the existing generator interconnection Facility agrees, or is compelled, to allow a third party to interconnect, but cannot do so without having to develop its own connection requirements or perform impact studies, the SDT believes that the potential for a reliability gap exists. This might occur, for instance, if the owner of an existing generator interconnection Facility was compelled to allow interconnection and to implement open transmission access. In this example, (under FERC Order 888 and subsequent orders), the existing interconnection owner becomes a Transmission Service Provider and is required to have an Open Access Transmission Tariff (OATT). FERC's pro forma OATT requires the Transmission Service Provider to, among other things, perform system impact and feasibility studies. In order to do so, such studies must be coordinated with other Transmission Service Providers and Transmission Planners. And, to further complicate the issue, the SDT has been informed that in Texas, a Generator Owner is not allowed to own transmission.

Clearly, these issues are complex and not all are within the jurisdiction of federal or provincial regulators. For these reasons, the SDT took the only approach it found workable. If, and only if, the existing owner of a generator interconnection Facility has an executed Agreement to evaluate the reliability impact of interconnecting a third party Facility to its existing generation Facility would the proposed FAC-001-1 apply. The SDT believes that this is most likely to occur if the owner of an existing generator interconnection Facility is compelled to allow a third party to interconnect and adopt open transmission access. However, the SDT cannot be certain this is the only example and it therefore proposes to add this new requirement to FAC-001-1. In doing so, the SDT acknowledges that the Generator Owner may not, at the time it agrees or is compelled to allow a third party to interconnect, have the necessary expertise to conduct the required interconnect studies to meet this standard. However, the SDT believes that, upon executing such Agreement, the Generator Owner will have to acquire such expertise. How the Generator Owner chooses to do so is not for the SDT to determine. The SDT is tasked with identifying potential reliability gaps and addressing such gaps through the standards development process.

The SDT does agree with many comments asking that the Generator Owner not be required to maintain its connection requirements, and there was robust discussion among the team and observers. Some were concerned that, without an obligation to maintain, there would not be a review to ensure compliance with NERC Reliability Standards and applicable Regional Entity, subregional, Power Pool, and individual Transmission Owner planning criteria. Others were concerned that the third party requesting interconnection might not actually interconnect, but the owner of the existing generator interconnection Facility would, having executed an evaluation agreement, be forever obligated to maintain connection requirements. In the end, the SDT agreed that if the owner of the existing generator interconnection Facility adopted open access or was determined to be providing “transmission service” it was likely that its existing registration would be re-evaluated and that the issue would be more appropriately addressed at that time. The SDT has therefore agreed to remove maintenance requirements for Generator Owners from both Requirement R2 and Requirement R4 in the proposed FAC-001-1.

We hope that you have found this explanation of our rationale helpful, but if you have further suggestions for improvement or clarity, please submit them in your comments on this latest posting.