



## Energy ADVISORY ■

**MARCH 18, 2019**

### FERC Issues Rehearing Order on Reform of Large Generator Interconnection Procedures and Agreements

The Federal Energy Regulatory Commission (FERC) on February 21, 2019, issued [Order No. 845-A](#), an order on rehearing and clarification of Order No. 845. Order No. 845 amended the pro forma Large Generator Interconnection Procedures (LGIP) and the pro forma Large Generator Interconnection Agreement (LGIA) with the goals of improving new generation development, increasing competition, providing accurate information, and promoting new technologies. Order No. 845-A preserved most of the modifications adopted in Order No. 845, though FERC granted rehearing and clarification on certain aspects of Order No. 845. Order No. 845-A will go into effect on May 20, 2019.

#### Background

FERC broadly addressed interconnection issues when it issued Order No. 2003, which first adopted the pro forma LGIP and pro forma LGIA. At that time, all public utilities were required to incorporate both documents in their open access transmission tariffs (OATTs). More recently, FERC focused on interconnection processes when it issued Order No. 845 in April 2018, adopting revisions to the pro forma LGIP and pro forma LGIA. Order No. 845 approved 10 proposed changes to the generator interconnection processes. These modifications are intended to improve certainty for interconnection customers, promote more informed interconnection decisions, and enhance the interconnection process. Subsequently, FERC received a number of requests for rehearing and/or clarification of that order.

#### Improving Certainty for Interconnection Customers

##### ***Option to build: Preserved Order No. 845's expansion of the option to build, but granted requests for rehearing and clarification on its implementation***

Order No. 845-A granted two requests for rehearing relating to the interconnection customer's "option to build." To provide context, Order No. 845 permitted interconnection customers to build transmission provider interconnection facilities and "stand alone" network upgrades regardless of whether a transmission provider could meet a customer's proposed dates.

First, FERC granted rehearing and found that if a transmission provider determines a specific network upgrade is not a stand alone network upgrade, the transmission provider must provide the interconnection customer with a written explanation for that determination. Disagreements may arise about whether a network upgrade qualifies as

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a stand alone upgrade, due to the mutual agreement requirement in the definition of stand alone network upgrade. A transmission provider will therefore need to clarify, within 15 days of its decision, the technical reasons why the upgrade does not qualify as a stand alone upgrade (i.e., why the customer building the upgrade would affect the transmission system's day-to-day operations).

In addition, FERC granted rehearing to permit transmission providers to recover oversight costs associated with exercising the option to build. Previously, in Order No. 2003, transmission providers were prevented from collecting such costs because FERC had determined that a transmission provider could avoid them by agreeing to meet the customer's milestones. In Order No. 845-A, FERC stated that this line of reasoning no longer applies because Order No. 845 permits interconnection customers to exercise the option to build regardless of whether a transmission provider can meet a customer's schedule. Transmission providers, therefore, cannot necessarily avoid option-to-build oversight costs by keeping to a customer's dates. FERC provided new language that will be included in the pro forma LGIA to permit the recovery of oversight costs.

Order No. 845-A also clarified two aspects of the option-to-build provisions in Order No. 845. First, it clarified that the option-to-build provisions apply to all public utility providers, including those public utilities that reimburse customers for network upgrades. FERC explained that Order No. 845 made no modifications to its general crediting policy, pursuant to which transmission providers can recover the costs of such reimbursement credits in their transmission rate base after providing the credits to customers.

In addition, FERC clarified that the option to build does not apply to stand alone network upgrades on affected systems. "Affected systems," under the pro forma LGIP and pro forma LGIA, are defined as "electric system[s] other than the Transmission Provider's Transmission System that may be affected by the proposed interconnection." To make its intention clear, FERC revised the relevant definitions of "stand alone network upgrades" in both the pro forma LGIP and pro forma LGIA to underscore that the option to build does not apply in these circumstances.

Finally, although FERC denied requests for rehearing and clarification on the implications of the D.C. Circuit's *Ameren* decision regarding MISO's crediting policy, it did potentially leave the door open in one respect. In response to requests for clarification that a transmission owner may pay a customer for its option-to-build construction costs when the customer transfers the facility to the transmission owner, then earn a return pursuant to an ongoing facilities charge to the customer, FERC denied these requests because they were essentially requests to deviate from the requirements of Order No. 845. However, FERC indicated that MISO could make such a request when it submitted its Order No. 845 compliance filing, and FERC would consider it then.

## **Promoting More Informed Interconnection Decisions**

### ***Transparency regarding study models and assumptions: provided clarifications***

Order No. 845-A offered two clarifications relating to study model and assumption transparency. First, transmission providers will be permitted to use FERC's critical energy/electric infrastructure information (CEII) regulations as a model for evaluating entities that request network model information and assumptions. This only applies to entities before they have signed a relevant nondisclosure agreement. In addition, the phrase "current system conditions" will not require transmission providers to maintain models that reflect real-time operating conditions of their system. Rather, network model information should reflect system conditions that are currently used in interconnection studies.

***Reporting requirements for interconnection study performance: provided clarification***

FERC further explained that the date for relevant reporting requirements and measuring study performance metrics will begin in the first calendar quarter of 2020. This clarification was issued in response to a commenter's concerns about the timing of reporting interconnection study metrics. Posting 2017 metrics will not be required.

**Enhancing Interconnection Processes*****Surplus interconnection processes: granted request for rehearing***

Order No. 845-A granted rehearing in response to a concern that Order No. 845 could limit the ability of independent system operators (ISOs) and regional transmission organizations (RTOs) to implement alternate rules for surplus interconnection service. Responding to one ISO's contention that its regional rules are incompatible with the surplus interconnection requirements, FERC noted it did not intend to prevent ISOs and RTOs from requesting individual variations.

***Requesting interconnection service that is lower than the generating facility: granted request for rehearing in part and provided clarification***

Interconnection customers will be permitted to propose control technologies at any time they are permitted to request interconnection service below facility capacity. Order No. 845 allows an interconnection customer to either request interconnection service below generating facility capacity at the outset or to reduce its requested level of interconnection service at two points after the interconnection process has begun: (1) before the interconnection customer returns an executed system impact study agreement; and (2) before the interconnection customer returns an executed facility study agreement. Because Order No. 845 permits the interconnection customer to reduce its interconnection service below generating facility capacity at these points during the interconnection process, an interconnection customer may also propose control technologies at these times.

FERC also clarified that a transmission provider will need to provide a detailed explanation of its determination to perform additional studies at the full generating facility capacity to an interconnection customer before performing additional studies. This explanation will permit the interconnection customer to better understand the transmission provider's reasoning behind requiring additional studies before those studies are performed.

Order No. 845-A will be effective on May 20, 2019. Consistent with this order, every public utility transmission provider must submit a single compliance filing by May 22, 2019.

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If you have any questions or would like additional information, please contact your Alston & Bird attorney or any member of our [Energy Group](#).

Sean Atkins  
202.239.3072  
sean.atkins@alston.com

Kenneth Jaffe  
202.239.3154  
kenneth.jaffe@alston.com

Michael Kunselman  
202.239.3395  
michael.kunselman@alston.com

Andrea Wolfman  
202.239.3943  
andrea.wolfman@alston.com

## ALSTON & BIRD

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WWW.ALSTON.COM

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ATLANTA: One Atlantic Center ■ 1201 West Peachtree Street ■ Atlanta, Georgia, USA, 30309-3424 ■ 404.881.7000 ■ Fax: 404.881.7777  
BEIJING: Hanwei Plaza West Wing ■ Suite 21B2 ■ No. 7 Guanghua Road ■ Chaoyang District ■ Beijing, 100004 CN ■ +86 10 8592 7500  
BRUSSELS: Level 20 Bastion Tower ■ Place du Champ de Mars ■ B-1050 Brussels, BE ■ +32 2 550 3700 ■ Fax: +32 2 550 3719  
CHARLOTTE: Bank of America Plaza ■ 101 South Tryon Street ■ Suite 4000 ■ Charlotte, North Carolina, USA, 28280-4000 ■ 704.444.1000 ■ Fax: 704.444.1111  
DALLAS: Chase Tower ■ 2200 Ross Avenue ■ Suite 2300 ■ Dallas, Texas, USA, 75201 ■ 214.922.3400 ■ Fax: 214.922.3899  
LOS ANGELES: 333 South Hope Street ■ 16th Floor ■ Los Angeles, California, USA, 90071-3004 ■ 213.576.1000 ■ Fax: 213.576.1100  
NEW YORK: 90 Park Avenue ■ 15th Floor ■ New York, New York, USA, 10016-1387 ■ 212.210.9400 ■ Fax: 212.210.9444  
RALEIGH: 555 Fayetteville Street ■ Suite 600 ■ Raleigh, North Carolina, USA, 27601-3034 ■ 919.862.2200 ■ Fax: 919.862.2260  
SAN FRANCISCO: 560 Mission Street ■ Suite 2100 ■ San Francisco, California, USA, 94105-0912 ■ 415.243.1000 ■ Fax: 415.243.1001  
SILICON VALLEY: 1950 University Avenue ■ 5th Floor ■ East Palo Alto, California, USA, 94303-2282 ■ 650-838-2000 ■ Fax: 650.838.2001  
WASHINGTON, DC: The Atlantic Building ■ 950 F Street, NW ■ Washington, DC, USA, 20004-1404 ■ 202.239.3300 ■ Fax: 202.239.3333