

Resolution Encouraging State Commissions to Adopt Full and Open Access Rules for Distributed Generation Technologies and to Remove Regulatory Barriers and Promote "Best Practices" That Encourage Economic Deployment of Distributed Generation Technologies

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**WHEREAS**, The National Association of Regulatory Utility Commissioners (NARUC) has adopted the Resolution Re-Affirming NARUC's Fundamental "Principles to Guide the Restructuring of the Electric Industry" (Principles originally adopted July 25, 1996; readopted November 10, 1999) which recommends that Congress be guided by the following fundamental principles as it considers policies to govern the organization and operation of America's electric utility industry:

- The safety, reliability, quality, and sustainability of services must be maintained or improved;
- All consumers must share the benefits of structural improvements and be protected from anti-competitive behavior, undue discrimination, poor service and unfair service practices;
- Public benefit programs must be maintained, including those that support energy efficiency, renewable technologies, research and development, universal service and low-income assistance; and
- States and State commissions must be afforded the flexibility to determine retail electric policies, including the content and pace of restructuring programs and retail stranded cost determinations; and

**WHEREAS**, NARUC adopted the Resolution Regarding On-Site Load Management Measures and Incentives (adopted February 24, 1999) to support the removal of undue regulatory

barriers, and to encourage the development of incentives for economic investment in on-site load management and generation; and

**WHEREAS**, NARUC adopted the Resolution Supporting Energy Efficiency and Load Management As Cost-Effective Approaches to Reliability Concerns (adopted July 23, 1999) to reaffirm NARUC's commitment to cost-effective demand-side management measures as both short- and long-term strategies for enhancing the reliability of the nation's electric system; and

**WHEREAS**, NARUC adopted the Resolution Regarding Interconnection Standards for Small-Scale Generating Facilities (adopted July 29, 1998) to urge State commissions to remove barriers to the interconnection of small-scale generating units; and

**WHEREAS**, NARUC adopted the Resolution Relating to Market Power in a Restructured Electric Power Industry (adopted July 29, 1998) to declare that restructuring designed to open competitive electricity markets should protect consumers against the abuses resulting from the exercise of market power and that removal of barriers to entry will allow open and nondiscriminatory access to essential network facilities; and

**WHEREAS**, NARUC adopted the Resolution Regarding Net Energy Metering for Small-Scale Renewable Generating Facilities (adopted Winter 1998) to encourage cost-effective use of renewable energy resources and to seek greater uniformity and consistency among the States to allow the deployment of new technologies which could be chosen by customers due to economic and social demands; and

**WHEREAS**, Interest in distributed generation is increasing in response to several trends:

- Electric demand is increasing as a result of economic expansion,
- Distributed generation technologies such as gas turbines, photovoltaics, wind and fuel cells are becoming available at higher levels of efficiency, in smaller sizes, and at lower cost,
- Electric industry restructuring has the potential to provide full and open access to essential network facilities thereby increasing market opportunities for distributed generation technologies
- Advances in communications, metering, and control devices are making the electric system more flexible and increasing the opportunities to deploy and integrate small-scale technologies more economically and effectively,
- Customers are demanding increased reliability and power quality; and

**WHEREAS**, Distributed generation is used in decentralized locations across the transmission and distribution system, and can both reduce effective customer demand on the utility system and potentially export energy to the grid to complement central station generation; and

**WHEREAS**, Rapid deployment of distributed generation technologies is in the public interest because:

- New technologies enhance customer choice,
- On-site generation improves customer value through control of costs and enhanced power quality and reliability,

- Distributed generation can enhance the efficiency, reliability, and operational benefits of the distribution system,
- Access to distributed generation technologies can increase competition by reducing the market power of traditional power providers, particularly in transmission- and distribution-constrained regions,
- Generation close to load can reduce total electric generation costs by reducing line losses through the transmission and distribution system, and associated fuel and operational costs,
- Distributed generation allows utilities to improve the asset utilization of their transmission and distribution equipment and associated financial capital and operational expenses,
- Distributed generation resources can be permitted, installed and put into use more quickly than central station generation or transmission,
- Distributed generation technologies can provide environmental benefits; and

**WHEREAS**, Several States have replaced utility-specific requirements or absolute utility roadblocks to interconnection with statewide technical interconnection standards for the safe and reliable operation of distributed generation technologies connected in parallel with the utility distribution system; and

**WHEREAS**, Distributed generation technologies are a distributed energy resource that can function in a manner that results in a reduction in customer load, much like energy efficiency and load management technologies, with no export of power to the utility system; and

**WHEREAS,** The adoption of technical interconnection standards and the field testing of distributed generation technologies has led to the identification of the remaining potential regulatory barriers:

- Burdensome distribution system operating and planning requirements may result in the unfair treatment of non-utility distributed generation technologies,
- Bundled distribution service tariff elements and fees and charges may present economic barriers to distributed generation technologies,
- Concentrations of market power may restrict the development of markets that distributed
- generation technologies could serve, and
- Ambiguous jurisdictional authority may hinder the business climate necessary for private investment; and

**WHEREAS,** The coordination among the States could establish *de facto* national standards and could improve the consistency of treatment of distributed generation technologies; *now, therefore, be it*

**RESOLVED,** That the Board of Directors of the National Association of Regulatory Utility Commissioners ("NARUC"), convened in its July 2000 Summer Committee Meeting in Los Angeles, California, urges State commissions and legislatures to adopt full and open access rules for distributed generation technologies, remove regulatory barriers to the deployment of distributed generation technologies, evaluate the grid benefits and costs of distributed energy resources, and adopt "best practices" among the states to increase the opportunities for economical distributed generation technologies; *and be it*

*further*

**RESOLVED**, That State commissions and legislatures should adopt and implement national interconnection standards developed and approved by appropriate technical standards organizations such as the Institute of Electrical and Electronics Engineers, Inc. ("IEEE") and Underwriters Laboratories; *and be it further*

**RESOLVED**, That the Congress and the Federal Energy Regulatory Commission ("FERC") should continue their efforts to establish national policies and laws consistent with NARUC's fundamental principles to govern the organization and operation of America's electric utility industry.

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Sponsored by the Committees on Finance and Technology and Energy Resources and the Environment

Adopted by the NARUC Board of Directors, July 26, 2000.