

Cogeneration and Private Generation

Cogeneration facilities are those that produce electric energy and steam or other forms of useful energy (such as heat), which are used fundamentally for industrial, commercial, or cooling purposes, through the sequential use of energy. The federal Public Utility Regulatory Policies Act (“PURPA”). Contains specific operating and efficiency standards which a cogeneration QF must meet. Under federal law, there is no maximum size limit for PURPA cogeneration facilities.

Private generation, as used by large industrial energy users, generally refers to electric generating facilities other than utility-owned facilities that can be used to provide retail electricity to large customers outside of the traditional public utility context. But note that Indiana law defines “private generation” more specifically – as large (greater than 80 MWs) cogeneration facilities.



Since the passage in 1978 of PURPA, the federal government has encouraged certain efficient types of “private generation.” Under PURPA, the federal government has encouraged the development of “Qualifying Facilities” (“QFs”). QFs are cogeneration (also known as combined heat and power) facilities that meet PURPA’s efficiency requirements. (QFs also include “small power production facilities”). In addition, under Indiana law, customers may “serve themselves” from generating facilities that may or may not qualify as QFs.

Qualifying Facilities (QFs)

A utility has four primary obligations under PURPA with respect to QF facilities:

- (1) a “must purchase” obligation;
- (2) a “must sell” obligation;
- (3) a “must interconnect” obligation; and
- (4) a “must wheel” obligation.

Indiana Regulation and QFs

PURPA delegates to state regulatory commissions the implementation of the must purchase, must sell, and must interconnect obligations. Indiana has implemented PURPA in several ways:

1. Indiana has encouraged the development of “alternative energy production facilities” (solar, wind, waste management, etc.), cogeneration facilities, and small hydro facilities.
2. Indiana has required electric utilities to enter into long-term contracts to purchase or wheel electricity from alternative energy production facilities, cogeneration facilities, and small hydro facilities located in their respective service territories that are 80 MWs or less, under just and reasonable and non-discriminatory terms and conditions.
3. Indiana has required the Indiana Utility Regulatory Commission (“IURC”) to establish just and reasonable avoided cost rates for electricity purchased from such facilities by utilities.
4. Indiana has required electric utilities to provide supplemental or backup power to QFs, at just and reasonable and nondiscriminatory rates.
5. In 2014, the Indiana General Assembly strengthened and expanded these requirements by adding a new definition – “private generation” – to these statutes. “Private generation” is defined as an existing cogeneration facility having capacity greater than 80 MWs which is primarily used by its owner for its owner’s industrial, commercial, heating or cooling purposes; or is a QF under PURPA that is in existence on July 1, 2014 and produces electricity/thermal energy that is primarily used by a host operation for industrial, commercial, heating or cooling purposes.
6. The 2014 law (SEA 1423) also provided that incumbent electric utilities are required to interconnect with “private generation” facilities, and are required to provide backup, maintenance, and supplemental power to such “private generation” facilities at cost-based and non-discriminatory rates.
7. Indiana caselaw has recognized that an energy customer may “serve itself” without running afoul of Indiana’s utility service territory laws.

For more information visit: <https://www.epa.gov/chp/what-chp>.