

FERC MOVES FORWARD ON TRANSMISSION PLANNING AND COST ALLOCATION REFORM

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At its open meeting on 21 April 2022, the Federal Energy Regulatory Commission (FERC) issued a Notice of Proposed Rulemaking (NOPR) in response to its Advance Notice of Proposed Rulemaking: Building for the Future Through Electric Regional Transmission Planning and Cost Allocation and Generator Interconnection (Docket No. RM21-17). Commissioner Mark Christie and Commissioner Willie Phillips entered separate concurrences, while Commissioner James Danly dissented. According to the open meeting, the NOPR proposes to reform, pursuant to Federal Power Act Section 206, FERC's electric regional transmission planning and cost allocation requirements. If enacted, the NOPR's reforms would require public utility transmission providers to:

- Identify transmission needs driven by changes in the resource mix and demand by developing multiple long-term scenarios, including accounting for high-impact, low-frequency events such as extreme weather.
- Value the benefits of regional transmission facilities to meet these needs over a long-time horizon that covers, at a minimum, 20 years starting from the estimated in-service date of the transmission facilities.
- Establish transparent and not unduly discriminatory criteria to select transmission facilities in the regional transmission plan for cost allocation that cost effectively address the transmission needs.
- Fully consider dynamic line ratings and advance power flow control devices in regional transmission planning.
- Seek to obtain the agreement of relevant state entities within the transmission planning region regarding the cost allocation method(s) that will apply to transmission facilities selected in the regional transmission plan.
- Avoid Construction Work in Progress accounting for transmission facilities selected for cost allocation in a regional transmission plan.
- Exercise federal right of first refusal for transmission facilities selected for cost allocation in a regional transmission plan, conditioned on the incumbent transmission providers establishing joint ownership of the transmission facilities.
- Adopt transparency requirements for local planning processes and improve coordination between regional and local transmission planning to identify opportunities to “right-size” replacement transmission facilities.

- Identify the benefits that they will use in the long-term regional transmission planning process, how they will calculate the benefits, and how such benefits will reflect the value of regional transmission facilities.

Both Commissioner Richard Glick and Commissioner Christie's comments on the NOPR emphasized the significant role for states in the proposed transmission planning/cost allocation revisions.

According to the FERC Staff presentation, the NOPR's proposed reforms focus on enhancing the transmission planning/cost allocation process, rather than any outcomes that may result from that process. But Commissioner Danly, in his discussion of his dissent, argued that the NOPR inappropriately encourages building transmission for the developing certain types of resources and socializing the cost of state public policy choices.

The NOPR does not address any generation interconnection reforms. FERC will also be holding a technical conference in October 2022 to discuss transmission and cost management.

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