



Federal Energy Regulatory Commission

FINAL RULE ON

Transmission Planning and Cost Allocation

by Transmission Owning and Operating Public Utilities

Order No. 1000

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Midwestern Governors Association, Des Moines IA, September 16, 2011

The statements herein do not necessarily reflect the views of the Commission



Timeline

- Order No. 888 in 1996
 - Requires open access to transmission facilities to address undue discrimination and to bring more efficient, lower cost power to the Nation's electricity consumers
- Order No. 890 in 2007
 - Requires coordinated, open and transparent regional transmission planning processes to address undue discrimination
- Order No. 1000 in 2011
 - Requires transmission planning at the regional level to consider and evaluate possible transmission alternatives and produce a regional transmission plan
 - Requires the cost of transmission solutions chosen to meet regional transmission needs to be allocated fairly to beneficiaries

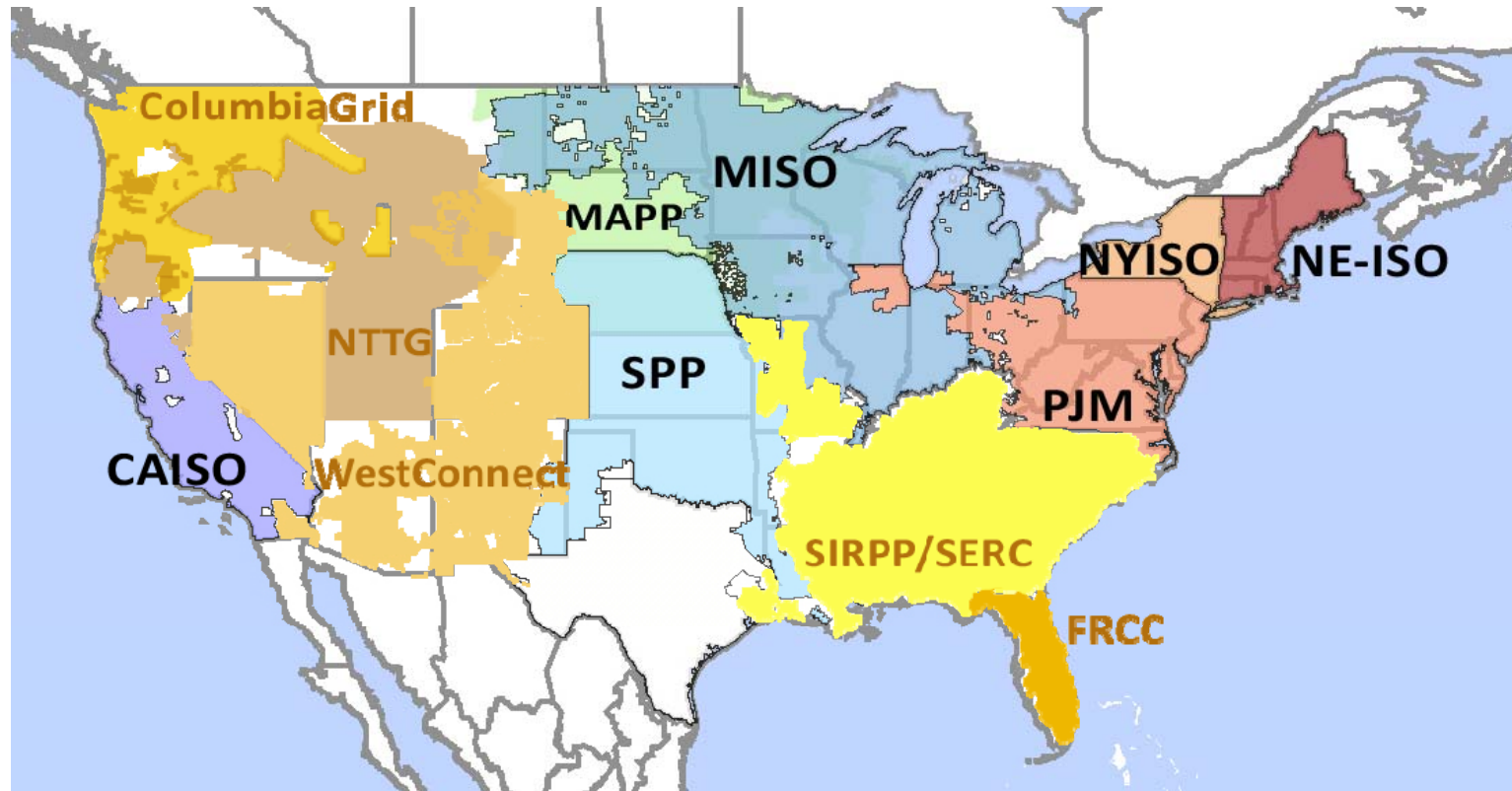


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- Planning Requirements
- Cost Allocation Requirements
- Nonincumbent Developer Requirements
- Compliance



Current Transmission Planning Regions*



- This map is for illustration purposes only. This map generally depicts the borders of regional transmission planning processes through which transmission providers have complied with Order No. 890. Those borders may not be depicted precisely for several reasons (e.g., not all transmission providers complying with Order No. 890 have a defined service territory). Additionally, transmission planning regions could alter because transmission providers may choose to change regions.
- Source: Derived from Energy Velocity



Important Terms

- Rule distinguishes between a transmission facility “in a regional transmission plan” and “selected in a regional transmission plan for purposes of cost allocation”
- Rule’s requirements apply to “new transmission facilities,” which are those subject to evaluation or reevaluation within local or regional transmission planning processes after the effective date of compliance filings



PLANNING REQUIREMENTS



Planning Requirements

1. Public utility transmission providers are required to participate in a regional transmission planning process that satisfies Order No. 890 principles and produces a regional transmission plan
2. Local and regional transmission planning processes must consider transmission needs driven by public policy requirements established by state or federal laws or regulations
3. Public utility transmission providers in each pair of neighboring transmission planning regions must coordinate to determine if more efficient or cost-effective solutions are available



Regional Planning

- Each transmission planning region must produce a regional transmission plan reflecting solutions that meet the region's needs more efficiently or cost-effectively
- Stakeholders must have an opportunity to participate in identifying and evaluating potential solutions to regional needs



Planning for Public Policy Requirements

- Each public utility transmission provider must establish procedures to:
 - Identify transmission needs driven by public policy requirements
 - Evaluate potential solutions to those needs
- Public policy requirements are defined as enacted statutes and regulations promulgated by a relevant jurisdiction, whether within a state or at the federal level
- No mandate to include any specific requirement



Interregional Coordination

- Each pair of neighboring transmission planning regions must:
 - Share information regarding the respective needs of each region and potential solutions to those needs
 - Identify and jointly evaluate interregional transmission facilities that may be more efficient or cost-effective solutions to those regional needs
- Interregional transmission facilities are those that are located in two or more neighboring transmission planning regions
- No requirement to produce an interregional transmission plan or engage in interconnectionwide planning



COST ALLOCATION REQUIREMENTS



Cost Allocation Requirements

1. Regional transmission planning process must have a regional cost allocation method for a new transmission facility selected in the regional transmission plan for purposes of cost allocation
 - Cost allocation method must satisfy six regional cost allocation principles
2. Neighboring transmission planning regions must have a common interregional cost allocation method for a new interregional transmission facility that the regions select
 - Cost allocation method must satisfy six similar interregional cost allocation principles
3. Participant-funding of new transmission facilities is permitted, but is not allowed as the regional or interregional cost allocation method



Cost Allocation Principles

- Costs allocated “roughly commensurate” with estimated benefits
- Those who do not benefit from transmission do not have to pay for it
- Benefit-to-cost thresholds must not exclude projects with significant net benefits
- No allocation of costs outside a region unless other region agrees
- Cost allocation methods and identification of beneficiaries must be transparent
- Different allocation methods could apply to different types of transmission facilities



Cost Allocation

- The rule does not require a one-size fits all method for allocating costs of transmission facilities
 - Each region is to develop its own proposed cost allocation method(s)
- If region can't decide on a cost allocation method, then FERC would decide based on the record
- No interconnectionwide cost allocation



NONINCUMBENT DEVELOPER REQUIREMENTS



Nonincumbent Developers

- Rule promotes competition in regional transmission planning processes to support efficient and cost effective transmission development
- Rule requires the development of a not unduly discriminatory regional process for transmission project submission, evaluation, and selection



Nonincumbent Developers

Rule removes any federal right of first refusal from Commission-approved tariffs and agreements with respect to new transmission facilities selected in a regional transmission plan for purposes of cost allocation, subject to four limitations:

- This does not apply to a transmission facility that is not selected in a regional transmission plan for purposes of cost allocation
- This does not apply to upgrades to transmission facilities, such as tower change outs or reconductoring
- This allows, but does not require, the use of competitive bidding to solicit transmission projects or project developers
- Nothing in this requirement affects state or local laws or regulations regarding the construction of transmission facilities, including but not limited to authority over siting or permitting of transmission facilities



Compliance

- Each transmission provider is required to make a compliance filing within twelve months of the effective date of the Final Rule
- The compliance filings for interregional transmission coordination and interregional cost allocation must be filed within eighteen months of the effective date



Outreach

FERC held and webcast 3 staff informational conferences on September 12 and 13 to aid compliance:

- RTO regions
- Eastern (non-RTO)
- Western (non- RTO)

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